

The 2008/09 NB Power
Sustainability Report



Énergie NB Power

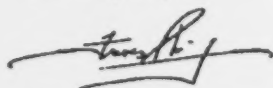
Attn: The Honourable Jack Keir, Minister of Energy

c.c.: The people of New Brunswick

Dear Sir,

I am pleased to present the 2008/09 NB Power Sustainability Report. With a focus on our environmental, social and economic performance over the past year, we feel this is a true snapshot of the innovation and forward thinking that drives today's NB Power.

Yours very truly,

A handwritten signature in black ink, appearing to read 'Francis McGuire', with a stylized flourish at the end.

Francis McGuire
Chairman, NB Power Board of Directors



Table of contents

CALENDAR important dates	04
CONTRIBUTORS your NB Power team.....	05
INTRODUCTION our first sustainability report	06
SUSTAINABILITY what it means to NB Power	07
EMPLOYEES giving back.....	08
PUBLICATIONS keeping you informed.....	09
GENERATION a powerful asset mix.....	10
SAFETY a constant priority	11
UPGRADES efficient infrastructure management.....	12
ENVIRONMENT seeking greener, smarter ways to do business.....	13
IN FOCUS making a difference in the community.....	14
IN FOCUS doing our part for the environment.....	18
IN FOCUS customer service.....	24
ABOUT NB POWER operating structure	28
ABOUT NB POWER by the numbers	29
POINT LEPREAU GENERATING STATION refurbishment begins.....	30
SAFETY EDUCATION great resources	31
THE LAST FRAME the wildlife	32
LOOKING FORWARD committed to sustainability	33
FINANCIALS a summary of 2008/09	35

A month-by-month guide to time-sensitive conservation tips

January	February	March	April	May	June
<p>21 check humidity level with a gauge and adjust ventilation system accordingly</p> <p>28 install a timer on your block heater and set for two hours before starting your vehicle</p>	<p>4 turn thermostats back at night and when away for longer periods during the day</p> <p>16 don't overheat - set your thermostats as low as you comfortably can and consider wearing a sweater</p> <p>28 use a timer for roofing cables</p>	<p>8 check and clear snow and ice from outside vents</p> <p>12 minimize your spring heating costs - turn down your thermostats and take advantage of the sun</p> <p>22 turn off roof heating cables once all snow is gone from your roof</p>	<p>3 make appointment for home energy audit with Efficiency NB</p> <p>19 heat only the rooms you use</p>	<p>9 clean refrigerator coils, light bulbs, dryer vents, and furnace/ventilation system filters</p> <p>11 shut off unnecessary baseboard heaters at the breaker</p> <p>24 shut off ventilation system when windows are open</p>	<p>23 use an outside clothes line instead of the dryer</p> <p>29 check that all heating systems are off at the breaker</p>
July	August	September	October	November	December
<p>16 install timer on your pool pump</p> <p>25 check humidity levels with a gauge and adjust dehumidifier accordingly</p>	<p>7 check seals on refrigerator doors</p> <p>23 switch to cold water wash whenever possible</p>	<p>7 make appointment to have your heating system serviced</p> <p>23 check and clean or replace ventilation system (HRV) filters and clean the core as per owner's manual</p> <p>30 caulk and weather strip around leaky doors and windows</p>	<p>6 make sure draperies and furniture aren't blocking heaters</p> <p>9 check basement humidity level using a gauge and adjust ventilation system or dehumidifier accordingly</p> <p>11 seal and insulate unused fireplaces to reduce heat loss</p>	<p>15 use window kits to increase window performance</p> <p>18 close fireplace dampers and glass doors when not in use</p> <p>25 set your thermostats back at night</p>	<p>2 vacuum your refrigerator condenser coils</p> <p>9 consider purchasing LEDs if replacing old holiday lighting</p>

Management Team

President and Chief Executive Officer

David D. Hay

Executive Vice President, Strategic Planning

Darrell Bishop

Vice President, Nuclear

Gaëtan Thomas

Vice President, Generation (Conventional)

Wayne Snowdon

**Vice President, Transmission,
Distribution and Customer Service**

Darren Murphy

Vice President, Legal

Michael Gorman

Vice President, Finance

Sharon MacFarlane

Vice President, Human Resources

Paul Thériault

Vice President, Shared Services

Geoff Thomas

Board of Directors

Chairman

Francis McGuire

Members

Edward Barrett

Norman Betts

Graham Brown

Lise Caissie

Norman Caissie

Bernard Cyr

Eloi Duguay

Jane Fritz

Shirley Mears

Patrice E. Merrin

David D. Hay

Committees

Audit Committee

Environment, Health and Safety Committee

Human Resources, Governance and Nominating Committee

Nuclear Oversight Committee

Complete biographies of our Management Team and Board of Directors are available in the About Us section of www.nbpower.com.

A month-by-month guide to time-sensitive conservation tips

January	February	March	April	May	June
<p>21 check humidity level with a gauge and adjust ventilation system accordingly</p> <p>28 install a timer on your block heater and set for two hours before starting your vehicle</p>	<p>4 turn thermostats back at night and when away for longer periods during the day</p> <p>16 don't overheat - set your thermostats as low as you comfortably can and consider wearing a sweater</p> <p>28 use a timer for roofing cables</p>	<p>8 check and clear snow and ice from outside vents</p> <p>12 minimize your spring heating costs - turn down your thermostats and take advantage of the sun</p> <p>22 turn off roof heating cables once all snow is gone from your roof</p>	<p>3 make appointment for home energy audit with Efficiency NB</p> <p>19 heat only the rooms you use</p>	<p>9 clean refrigerator coils, light bulbs, dryer vents, and furnace/ventilation system filters</p> <p>11 shut off unnecessary baseboard heaters at the breaker</p> <p>24 shut off ventilation system when windows are open</p>	<p>23 use an outside clothes line instead of the dryer</p> <p>29 check that all heating systems are off at the breaker</p>
July	August	September	October	November	December
<p>16 install timer on your pool pump</p> <p>25 check humidity levels with a gauge and adjust dehumidifier accordingly</p>	<p>7 check seals on refrigerator doors</p> <p>23 switch to cold water wash whenever possible</p>	<p>7 make appointment to have your heating system serviced</p> <p>23 check and clean or replace ventilation system (HRV) filters and clean the core as per owner's manual</p> <p>30 caulk and weather strip around leaky doors and windows</p>	<p>6 make sure draperies and furniture aren't blocking heaters</p> <p>9 check basement humidity level using a gauge and adjust ventilation system or dehumidifier accordingly</p> <p>11 seal and insulate unused fireplaces to reduce heat loss</p>	<p>15 use window kits to increase window performance</p> <p>18 close fireplace dampers and glass doors when not in use</p> <p>25 set your thermostats back at night</p>	<p>2 vacuum your refrigerator condenser coils</p> <p>9 consider purchasing LEDs if replacing old holiday lighting</p>

Management Team

President and Chief Executive Officer

David D. Hay

Executive Vice President, Strategic Planning

Darrell Bishop

Vice President, Nuclear

Gaëtan Thomas

Vice President, Generation (Conventional)

Wayne Snowdon

Vice President, Transmission, Distribution and Customer Service

Darren Murphy

Vice President, Legal

Michael Gorman

Vice President, Finance

Sharon MacFarlane

Vice President, Human Resources

Paul Thériault

Vice President, Shared Services

Geoff Thomas

Board of Directors

Chairman

Francis McGuire

Members

Edward Barrett

Norman Betts

Graham Brown

Lise Caissie

Norman Caissie

Bernard Cyr

Eloi Duguay

Jane Fritz

Shirley Mears

Patrice E. Merrin

David D. Hay

Committees

Audit Committee

Environment, Health and Safety Committee

Human Resources, Governance and Nominating Committee

Nuclear Oversight Committee

Complete biographies of our Management Team and Board of Directors are available in the About Us section of www.nbpower.com.

INTRODUCTION | our first sustainability report



WE THINK AN INTRODUCTION IS IN ORDER

This is NB Power's first annual sustainability report.

Some people say the Government of New Brunswick is NB Power's only shareholder. But in our view, we've got 729,997 shareholders. We're accountable to all New Brunswickers – and that means we're committed to keeping you up-to-date on what we're doing, and how we're doing it.

This report is for you – the people of New Brunswick.

It's where our annual report meets our environmental performance report, and where fresh thinking meets innovation. It's an easy-to-read perspective on how we're running our business, giving back to our communities, and doing our part to help the environment.

On behalf of all our employees, we hope you enjoy this publication.

Sincerely,

Francis McGuire
Chairman, NB Power
Board of Directors

David D. Hay
President and
Chief Executive Officer



Your input

What do you think about this report? Please send your comments, questions and suggestions to corporatecommunications@nbpower.com.

sustainable:

1) able to be maintained, under competent direction, for the long-term



What is sustainability?

At NB Power, we factor sustainability into everything we do.

It's a powerful concept. It's about balancing our efforts to deliver competitively-priced electricity with maintaining our long-term corporate health. It's about harnessing the power of renewable energy sources and safeguarding the environment.

It's an idea that works because it represents the intersection of the value we offer our customers and the values we embrace as a company – protecting our low rates, reducing our carbon footprint and being responsible to the communities in which we work and live.

Looking back through the years

The world has certainly changed since NB Power first opened its doors in 1920. Technologies may have come and gone, but one thing has remained the same – NB Power is committed to investing in great ideas, solid thinking and good planning. Over the past 90 years, those investments have resulted in industry firsts.

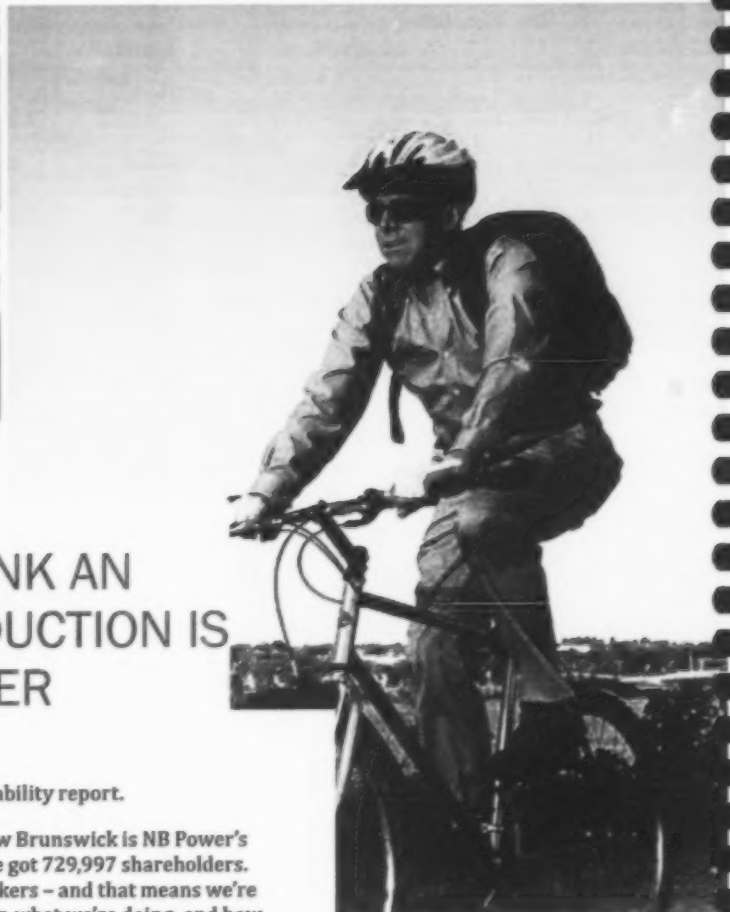

- NB Power was the first utility to complete a North American interconnection, from the Beechwood Generating Station in New Brunswick to the Maine Public Service system at Fort Fairfield.
- The High Voltage Direct Current (HVDC) converter station between Eel River and Quebec became the first commercial solid state back-to-back HVDC converter station in the world.
- The Point Lepreau Generating Station (PLGS) was the world's first 635 MW CANDU-6 reactor. We also became the first company in the world to successfully defuel the full reactor core of a CANDU-6 reactor.
- The Belledune Generating Station became the first in Canada to have a Flu Gas Desulphurization Unit (scrubber) installed in 1992. We also installed Canada's third scrubber at the Dalhousie Generating Station and sixth at the Coleson Cove Generating Station.

Looking back: 2008/09

In the 2008/09 fiscal year, we built on our foundation of prudent management and good planning, working to ensure sustainability and value for New Brunswickers.

- We were named one of Canada's Top 100 Employers for the second year in a row.
- We successfully completed the first phase of the Point Lepreau Generating Station Refurbishment Project.
- We celebrated the commercial operation of the Kent Hills Wind Farm, New Brunswick's first wind project and the largest wind farm in Atlantic Canada.
- We developed a technology to co-fire petroleum coke, a solid fuel, with liquid heavy fuel oil at the Coleson Cove Generating Station. This innovative technology development will reduce production costs of the converted unit by approximately some 20 to 30 percent. In March 2009, after a full year of accumulating test results, NB Power received approval to use the technology development from the New Brunswick Department of the Environment.
- We continued to build on our long-standing relationship with the International Brotherhood of Electrical Workers (IBEW) – a union representing more than 80% of our employees. In January, NB Power management and the IBEW Health and Safety Committee celebrated 15 years without missing a single monthly meeting. It's a testament to our strong history of collaboration and cooperation.

INTRODUCTION | our first sustainability report



WE THINK AN INTRODUCTION IS IN ORDER

This is NB Power's first annual sustainability report.

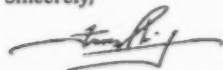
Some people say the Government of New Brunswick is NB Power's only shareholder. But in our view, we've got 729,997 shareholders. We're accountable to all New Brunswickers – and that means we're committed to keeping you up-to-date on what we're doing, and how we're doing it.

This report is for you – the people of New Brunswick.

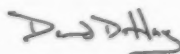
It's where our annual report meets our environmental performance report, and where fresh thinking meets innovation. It's an easy-to-read perspective on how we're running our business, giving back to our communities, and doing our part to help the environment.

On behalf of all our employees, we hope you enjoy this publication.

Sincerely,



Francis McGuire
Chairman, NB Power
Board of Directors



David D. Hay
President and
Chief Executive Officer

Your input

What do you think about this report? Please send your comments, questions and suggestions to corporatecommunications@nbpower.com.



What is sustainability?

At NB Power, we factor sustainability into everything we do.

It's a powerful concept. It's about balancing our efforts to deliver competitively-priced electricity with maintaining our long-term corporate health. It's about harnessing the power of renewable energy sources and safeguarding the environment.

It's an idea that works because it represents the intersection of the value we offer our customers and the values we embrace as a company – protecting our low rates, reducing our carbon footprint and being responsible to the communities in which we work and live.

sustainable:

1) able to be maintained, under competent direction, for the long-term

Looking back through the years

The world has certainly changed since NB Power first opened its doors in 1920. Technologies may have come and gone, but one thing has remained the same – NB Power is committed to investing in great ideas, solid thinking and good planning. Over the past 90 years, those investments have resulted in industry firsts.

- NB Power was the first utility to complete a North American interconnection, from the Beechwood Generating Station in New Brunswick to the Maine Public Service system at Fort Fairfield.
- The High Voltage Direct Current (HVDC) converter station between Eel River and Quebec became the first commercial solid state back-to-back HVDC converter station in the world.
- The Point Lepreau Generating Station (PLGS) was the world's first 635 MW CANDU-6 reactor. We also became the first company in the world to successfully defuel the full reactor core of a CANDU-6 reactor.
- The Belledune Generating Station became the first in Canada to have a Flu Gas Desulphurization Unit (scrubber) installed in 1992. We also installed Canada's third scrubber at the Dalhousie Generating Station and sixth at the Coleson Cove Generating Station.

Looking back: 2008/09

In the 2008/09 fiscal year, we built on our foundation of prudent management and good planning, working to ensure sustainability and value for New Brunswickers.

- We were named one of Canada's Top 100 Employers for the second year in a row.
- We successfully completed the first phase of the Point Lepreau Generating Station Refurbishment Project.
- We celebrated the commercial operation of the Kent Hills Wind Farm, New Brunswick's first wind project and the largest wind farm in Atlantic Canada.
- We developed a technology to co-fire petroleum coke, a solid fuel, with liquid heavy fuel oil at the Coleson Cove Generating Station. This innovative technology development will reduce production costs of the converted unit by approximately some 20 to 30 percent. In March 2009, after a full year of accumulating test results, NB Power received approval to use the technology development from the New Brunswick Department of the Environment.
- We continued to build on our long-standing relationship with the International Brotherhood of Electrical Workers (IBEW) – a union representing more than 80% of our employees. In January, NB Power management and the IBEW Health and Safety Committee celebrated 15 years without missing a single monthly meeting. It's a testament to our strong history of collaboration and cooperation.

NB Power plays a vital part in the communities in which we work and live. Here are just a few examples of how our employees are giving back:



Crocs for tots

"The contributions of NB Power employees were a big part of the total Crocs collected," said Dr. Wecker. "We have had such overwhelming support and it means a lot to know that so many of NB Power's employees care about helping children they will never meet."

Rollie Bowmaster, Operations Supervisor for the Grand Falls Operating Centre, spearheaded NB Power's efforts to collect more than 200 pairs of the breathable footwear to donate to children in the Democratic Republic of Congo. Employees throughout the province donated the shoes to help Dr. Barry Wecker, Doctors Without Borders member, and his daughter Melissa, help orphans in that country combat foot infections caused by rough terrain and prevalent parasites.



First aid training pays off

Does NB Power's emergency training really benefit our communities? Just ask Dave Guignard, Geoff McCabe and Mike Ramsay of the Point Lepreau Generating Station Nuclear Response Force. The three co-workers were thrust into a roadside emergency when they spotted an overturned vehicle on their way to work just outside Saint John.

Specially trained in advanced emergency response, the three sprang into action. Two men rushed to the car to pull out the trapped driver, while the other dialed 911 and directed oncoming traffic. They then comforted the rescued driver and assessed her injuries while emergency personnel appeared on the scene. It's just one of the many ways our people are trained to serve.



Baking pies for charities

"At Christmas, it is common for me to stay up until 2 a.m. baking. But I don't mind it; it's the excitement of raising money for causes that means a lot to me."

Debbie Roherty is known as an administration support worker in NB Power, but in Fredericton, she's known as the Pie Lady. Baking pies using her mother's recipe is just one of many ways she gives back to her community. Debbie has been involved in numerous charities such as Feed a Family supported by CBC, Run for the Cure, Christmas Angels and the United Way. Last year, her efforts added almost \$1,000 to the Warm Hearts, Warm Homes program supporting New Brunswickers in need of assistance with their home heating bills.

NB POWER PUBLICATIONS

in
focus

Quarterly reports

As we navigate our way through a worldwide recession, it's more important than ever to manage NB Power prudently, efficiently and with an eye to the future.

In 2008, our board mapped out 10 key performance indicators to keep us focused on the things that matter most to New Brunswick – keeping power rates low, our communities green and our business sound.

In the spirit of transparency, we began publishing quarterly reports to keep you in tune with the challenges we've encountered along the way, and what we're doing to overcome these challenges in order to meet New Brunswick's electricity needs reliably, safely and with respect for the environment.

Other publications:

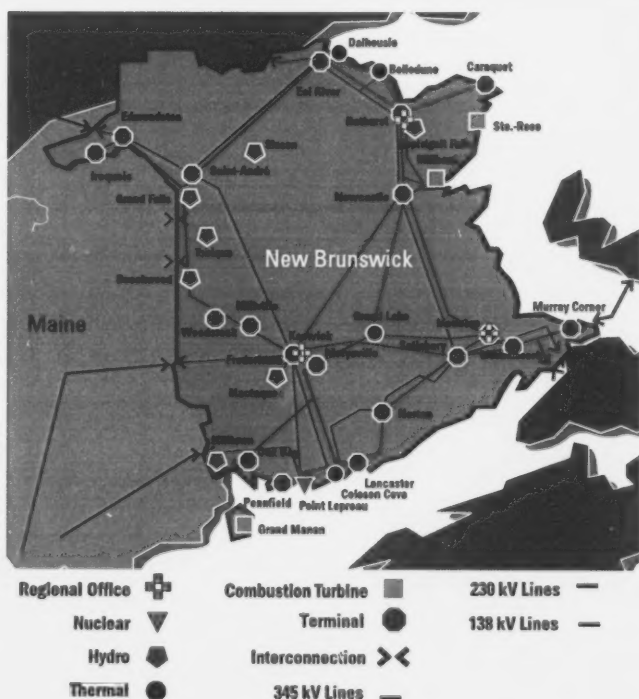
All NB Power publications are available online at www.nbpower.com and updates on our Point Lepreau Generating Station Refurbishment Project can be found at www.poweringthefuture.nbpower.com.

Annual Reports (1999/00 – 2007/08)

Environmental Performance Reports (2002 – 2007)

Refurb Reports (May 2008 – July 2009)

Generating power is just one of the ways we serve New Brunswickers. And together with our partners, we've got a balanced portfolio of assets around the province working for you.



Nuclear

Point Lepreau Generating Station (635 MW)

Hydro

Milltown Generating Station (3 MW)
 Sisson Generating Station (9 MW)
 Nepisiguit Falls Generating Station (11 MW)
 Tobique Generating Station (20 MW)
 Grand Falls Generating Station (66 MW)
 Beechwood Generating Station (112 MW)
 Mactaquac Generating Station (672 MW)

Thermal

Grand Manan Turbine (29 MW)
 Grand Lake Generating Station (52 MW)
 Ste. Rose Combustion Turbine (99 MW)
 Dalhousie Generating Station (299 MW)
 Millbank Combustion Turbine (397 MW)
 Belledune Generating Station (457 MW)
 Coleson Cove Generating Station (968 MW)

Power purchase agreements

NB Power has several power purchase agreements (PPAs) in place to meet New Brunswickers' energy needs. These agreements include:

Contract	Fuel type	Net generating capacity (MW)
Bayside Power	natural gas	263
TransAlta's Kent Hills Wind Farm	wind	96
Grandview Generating Station	natural gas	90
Other non-utility generators	various	55

Emergency preparedness

NB Power employees – as members of a critical infrastructure organization – receive extensive training to ensure we are well prepared in the event of an emergency situation. We work together with the New Brunswick Emergency Measures Organization (NBEMO) and other stakeholders to ensure the safety of New Brunswickers.

Dalhousie marina oil spill

On the evening of September 28, 2008, a ship docked at the port in Dalhousie experienced an oil spill. The merchant tanker was loaded with oil destined for the Dalhousie Generating Station. Within minutes, an emergency response team was activated, and more than 30 NB Power employees worked overnight to contain the oil, deploying a boom around the ship. Their swift action minimized the potential damage and won them praise from Dalhousie's Mayor.

"NB Power workers are highly trained professionals who displayed commitment to their work and to their community during the challenges that occurred following the oil spill," said Clem Tremblay, Mayor of Dalhousie. "I know that members of this community feel safe knowing that NB Power was able to provide a top-notch effort and prevent major damage to our marine environment."

St. John River flooding

Rising water levels along the St. John River in 2008 caused extensive flooding, which in turn caused the shut down of the Grand Falls and Beechwood generating stations for safety reasons.

We answered the call by:

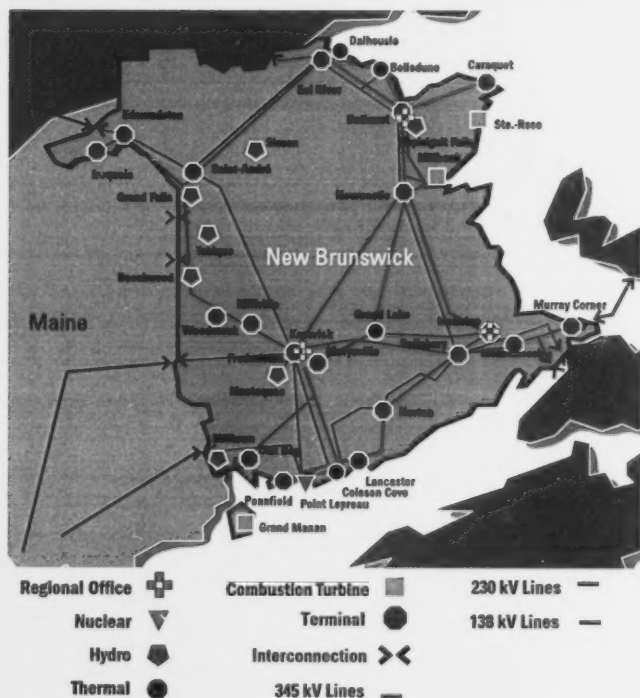
- activating a special team in the Customer Interaction Centre to provide additional support and information to those affected by the flood
- overcoming extensive flood damage at the Grand Falls Generating Station, working around the clock to bring the Station back into service six weeks ahead of schedule
- advising flood-affected customers of the reconnect procedure established by the New Brunswick Department of Public Safety
- working hand-in-hand with our partners to overcome the challenging flood conditions, in which we accessed homes by boat to reconnect our customers when it was safe to do so

"Despite the immense challenges of restoring power in extreme flood conditions, I am really proud of the way we worked with our partners to restore power safely and quickly," said Darren Murphy, Vice President of Transmission, Distribution and Customer Service.

Working safely for you

NB Power is the first full-service utility in Canada to reach 12 consecutive months without a lost-time accident. That's an accomplishment we can all take pride in.

Generating power is just one of the ways we serve New Brunswickers. And together with our partners, we've got a balanced portfolio of assets around the province working for you.



Nuclear

Point Lepreau Generating Station (635 MW)

Hydro

Milltown Generating Station (3 MW)
 Sisson Generating Station (9 MW)
 Nepisiguit Falls Generating Station (11 MW)
 Tobique Generating Station (20 MW)
 Grand Falls Generating Station (66 MW)
 Beechwood Generating Station (112 MW)
 Mactaquac Generating Station (672 MW)

Thermal

Grand Manan Turbine (29 MW)
 Grand Lake Generating Station (52 MW)
 Ste. Rose Combustion Turbine (99 MW)
 Dalhousie Generating Station (299 MW)
 Millbank Combustion Turbine (397 MW)
 Belledune Generating Station (457 MW)
 Coleson Cove Generating Station (968 MW)

Power purchase agreements

NB Power has several power purchase agreements (PPAs) in place to meet New Brunswickers' energy needs. These agreements include:

Contract	Fuel type	Net generating capacity (MW)
Bayside Power	natural gas	263
TransAlta's Kent Hills Wind Farm	wind	96
Grandview Generating Station	natural gas	90
Other non-utility generators	various	55

Emergency preparedness

NB Power employees – as members of a critical infrastructure organization – receive extensive training to ensure we are well prepared in the event of an emergency situation. We work together with the New Brunswick Emergency Measures Organization (NBEMO) and other stakeholders to ensure the safety of New Brunswickers.

Dalhousie marina oil spill

On the evening of September 28, 2008, a ship docked at the port in Dalhousie experienced an oil spill. The merchant tanker was loaded with oil destined for the Dalhousie Generating Station. Within minutes, an emergency response team was activated, and more than 30 NB Power employees worked overnight to contain the oil, deploying a boom around the ship. Their swift action minimized the potential damage and won them praise from Dalhousie's Mayor.

"NB Power workers are highly trained professionals who displayed commitment to their work and to their community during the challenges that occurred following the oil spill," said Clem Tremblay, Mayor of Dalhousie. "I know that members of this community feel safe knowing that NB Power was able to provide a top-notch effort and prevent major damage to our marine environment."

St. John River flooding

Rising water levels along the St. John River in 2008 caused extensive flooding, which in turn caused the shut down of the Grand Falls and Beechwood generating stations for safety reasons.

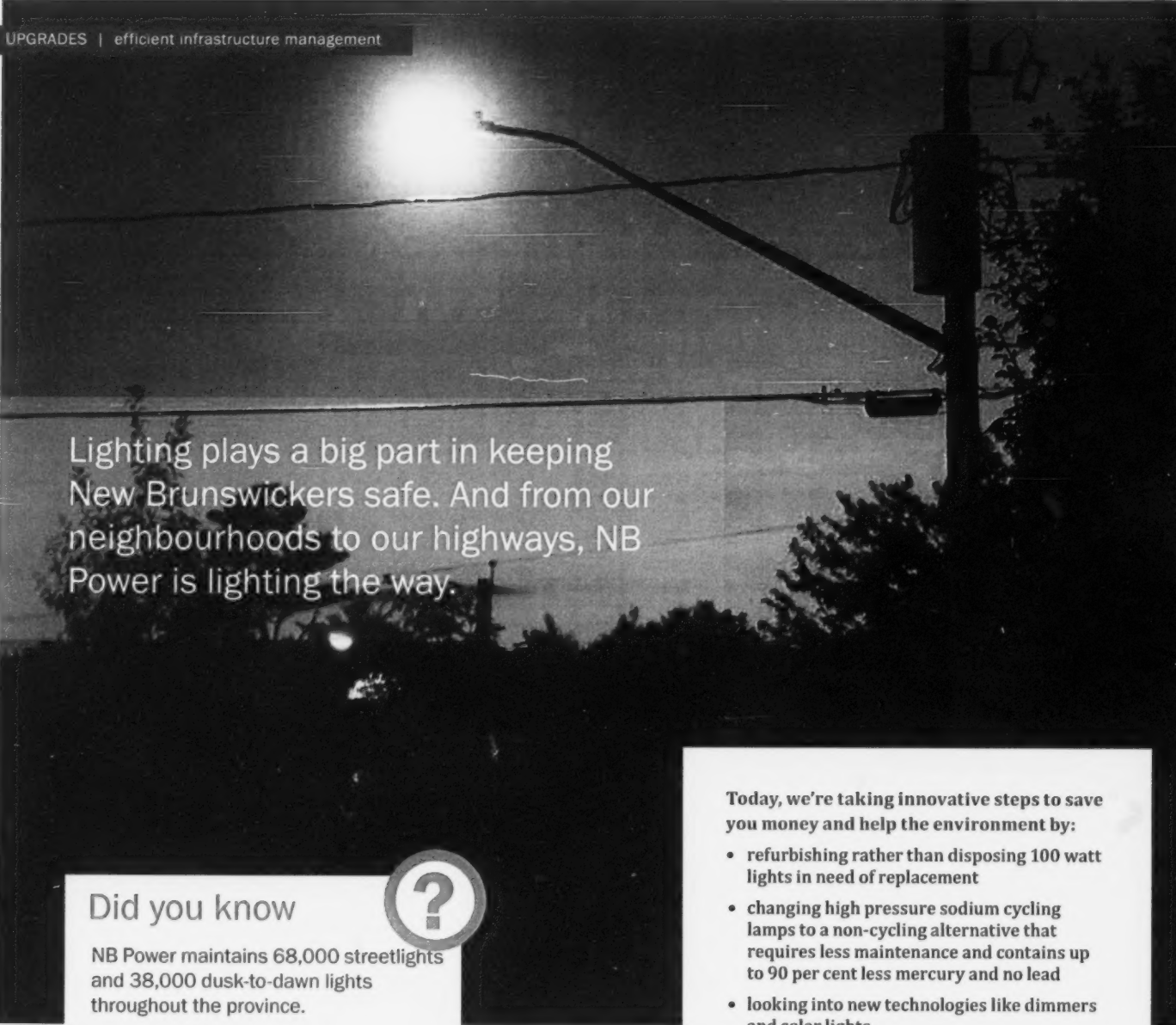
We answered the call by:

- activating a special team in the Customer Interaction Centre to provide additional support and information to those affected by the flood
- overcoming extensive flood damage at the Grand Falls Generating Station, working around the clock to bring the Station back into service six weeks ahead of schedule
- advising flood-affected customers of the reconnect procedure established by the New Brunswick Department of Public Safety
- working hand-in-hand with our partners to overcome the challenging flood conditions, in which we accessed homes by boat to reconnect our customers when it was safe to do so

"Despite the immense challenges of restoring power in extreme flood conditions, I am really proud of the way we worked with our partners to restore power safely and quickly," said Darren Murphy, Vice President of Transmission, Distribution and Customer Service.

Working safely for you

NB Power is the first full-service utility in Canada to reach 12 consecutive months without a lost-time accident. That's an accomplishment we can all take pride in.



Lighting plays a big part in keeping New Brunswickers safe. And from our neighbourhoods to our highways, NB Power is lighting the way.

Did you know

NB Power maintains 68,000 streetlights and 38,000 dusk-to-dawn lights throughout the province.



Today, we're taking innovative steps to save you money and help the environment by:

- refurbishing rather than disposing 100 watt lights in need of replacement
- changing high pressure sodium cycling lamps to a non-cycling alternative that requires less maintenance and contains up to 90 per cent less mercury and no lead
- looking into new technologies like dimmers and solar lights
- reducing lamp wattage where appropriate
- testing new energy-saving LED lights in 14 locations around the province
- hosting industry conferences that advance area lighting research

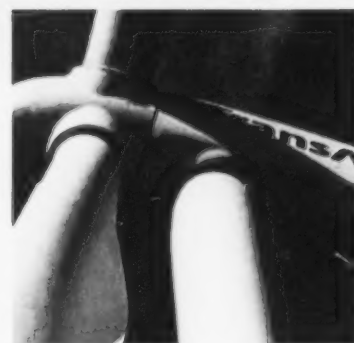
Dusk-to-dawn lights are used to illuminate private property, businesses, parking lots and parks using a photo-eye sensor that detects when it's time to turn on. It's the perfect balance of safety and efficiency.

GOAL: 10% FUEL REDUCTION

We're working to achieve our goal by:

- developing a long-term strategy for fuel reduction
- almost doubling our fleet of hybrid vehicles, which are driven extensively by our mobile Energy Advisors and Account Managers
- working with Natural Resources Canada to develop a web-based fleet fuel reduction tool
- collecting fleet data to benchmark fuel consumption and anticipate maintenance
- evaluating and revising idling reduction strategies

NB Power operates a fleet of more than 1,000 on and off road vehicles to serve our customers in all weather conditions.



POWER TO THE PEOPLE

Net metering is an NB Power program that allows customers to produce their own environmentally-friendly electricity. In 2008, six customers participated in the program.

Here's how they did it:

- they installed Eco Logo™ compatible generation units – such as wind turbines or solar panels – on their properties
- the power generated by the units was then used to offset their electricity requirements
- any additional electricity they needed was provided through normal NB Power service
- if the generation unit produced more than what was being consumed by the customer, the excess was sent to NB Power's distribution system
- the customer was billed only for the amount of electricity provided by NB Power minus what they sent to NB Power

Did you know

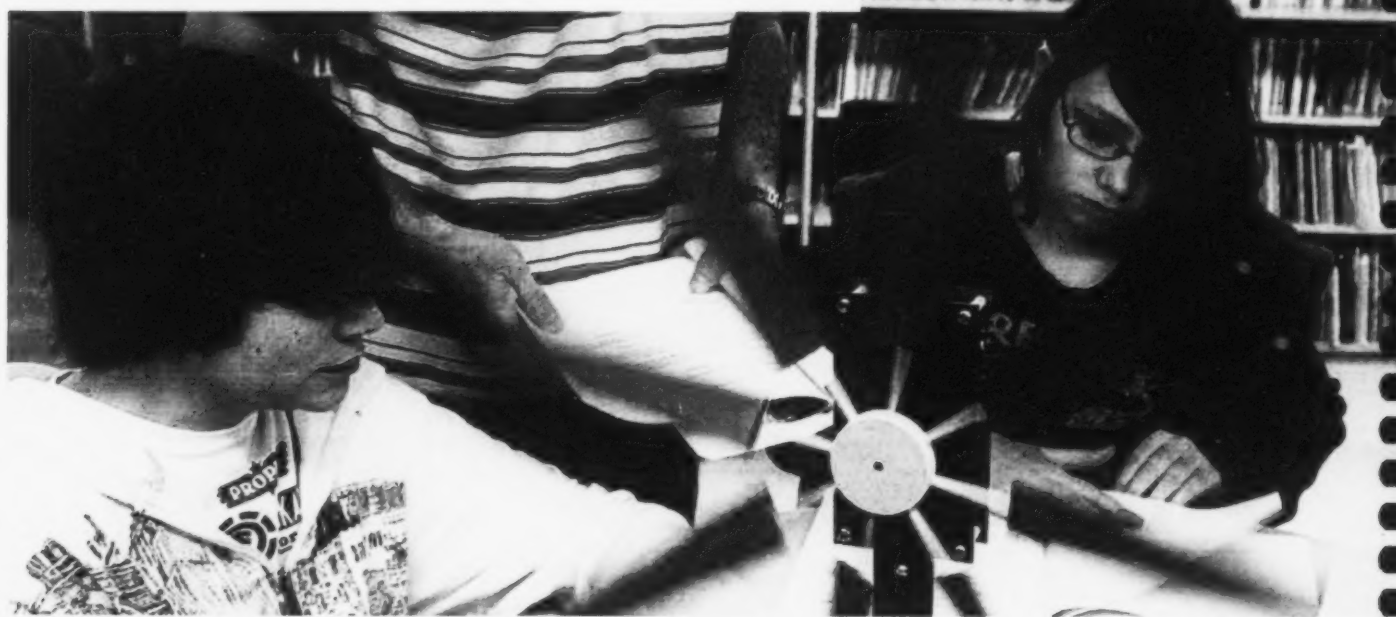


78 per cent of residential customers rent NB Power electric water heaters. Approximately 16,000 are replaced every year with new, more energy efficient models. The old units are then recycled by NB Power so they don't end up in our landfills. It's just one of the ways NB Power is thinking green and working smart.



COMMUNITY INVOLVEMENT

Our employees are making a difference



At NB Power, we believe in community. We think healthy, vibrant communities are a key component of both our corporate and our provincial long-term sustainability. It's about getting involved, sharing information and working together. And that's a formula that works for all of us.

It's about establishing and maintaining authentic, two-way communication. For example, NB Power Community Relations Liaison Committees operate in towns and cities across the province, meeting regularly to discuss community news and issues and to share information. These committees keep the lines of communication open and help us build long-term relationships.

Throughout New Brunswick, our employees are helping to make a difference in the communities where we live and work. We're proud of what our employees accomplished during 2008/09.

Great Canadian Shoreline Cleanup Project

In 2008, students and staff from Minto Memorial High School partnered with the Grand Lake Generating Station's Environmental Management System (EMS) team and the Newcastle Creek Yacht Club for the TD Bank 2008 Great Canadian Shoreline Cleanup Project. The cleanup took place on September 25, 2008 as part of National Shoreline Cleanup Week.

Arbor Day activities

NB Power has participated in Arbor Day activities since 1991. Each year, our employees demonstrate their commitment to the environment by planting a variety of trees and shrubs around the province. These activities give us the opportunity to build on our tree trimming program and to provide the public with information concerning planting beneath overhead power lines.

FACES program

NB Power has partnered with District 18 schools for the Families and Communities Enriching Schools (FACES) program – a partnership established by families, the business community and services agencies to offer support in the form of volunteers and/or financial assistance. Specifically, we collaborated with Devon Middle School on a pilot project to explore other opportunities to support schools across the province.



Learning Through the Arts Program

Learning Through the Arts (LTTA) is a groundbreaking program that brings specially-trained local artists into schools to partner with teachers, so students have the opportunity to learn about conservation through dance, media, arts and music. Together, we piloted the program in three New Brunswick schools during the 2008/09 school year.

PALS program

NB Power is involved in the Partners Assisting Local Schools (PALS) program in Saint John. Through this program, companies in the Saint John area are paired with schools and provide support such as volunteers or financial assistance.

Shad Valley

Shad Valley is a national summer enrichment program for youth that focuses on sciences, technology and entrepreneurship. Thanks to a partnership with Shad Valley, in 2008 we hosted five intern students and nine alumni students from New Brunswick. This program allows us to showcase NB Power as an employer of choice to encourage these students to choose NB Power when they graduate.

New Brunswick Community College (NBCC)

NB Power has enjoyed a positive working relationship with NBCC for many years. In addition to having established the NB Power-specific Apprenticeship Programs and the Co-op Student Program, we have worked with NBCC to help establish the Employers and Students – Partners in Business Program and the Instructor and Employee Exchange Program.

Earth Day Education Conservation Challenge

In 2008, NB Power launched the first annual Earth Day Education Conservation Challenge. We challenged grade six classes to describe how they would find ways to conserve electricity. On April 22, Earth Day, NB Power announced the winners. A total of 18 schools received Earth Day awards.

Science East

We have partnered with Science East on a Conservation Education Outreach pilot project that includes an electricity unit in the New Brunswick grade six science curriculum. Professional development sessions were held so teachers could deliver electricity facts, as well as safety and conservation information. In total, approximately 180 students participated in the program.

Generation Energization

NB Power worked with the District 10 School Board to support a new independent study class at Fundy High School in St. George. Students in the class worked on a project called Generation Energization. They conducted an energy audit on school facilities to find ways to conserve electricity and they also researched conservation methods. NB Power Account Managers worked with the class and put together an audit kit that included devices to help them measure the electricity consumption of various appliances and devices.

Falls Brook Centre

For over four years now, NB Power has been working with the Falls Brook Centre and UNB's Sustainable Power Research Group on New Brunswick's first net metered site in the rural community of Knowlesville.

It took two years to get off the ground, but the work paid off when 520 W solar panels and a 3 kW wind turbine were officially attached to the electrical grid. That experience was the catalyst that paved the way for NB Power's new Net Metering program.

Partnerships and community involvement are critical components of our path to sustainability. We think that's because sustainability is a team effort. After all, we're in this together.

Sobeys Inc.

NB Power has been helping Sobeys Atlantic implement an energy conservation program, targeting employees at stores throughout the province. An Account Manager with NB Power has been working with Sobeys for the past eight years to help educate staff at 22 New Brunswick store locations on ways to incorporate energy conservation into both their workplaces and homes.

Efficiency NB

Efficiency NB offers sound advice and practical solutions to help New Brunswickers use energy more efficiently, make better energy choices, manage energy expenses and reduce the impact of energy use on the environment.

We partnered with Efficiency NB and Natural Resources Canada to host a series of "Dollars to \$ense - Spot the Energy Savings" workshops to help communities learn about ways to save on their municipal energy costs.

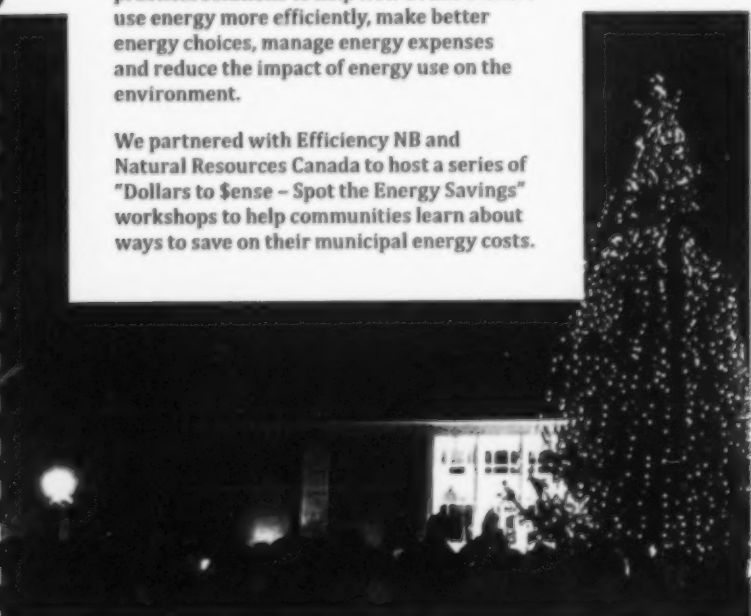


Lights Across the Province

Over the holiday season, we supported the New Brunswick Provincial Capital Commission (NBPCC) on their Lights Across the Province initiative, celebrating the start of the winter season and encouraging municipalities to use LED lights for decorative lighting.

This is the first year in the two-year project. 1,989 strings of LED lights, or about 69,615 individual lights were distributed to New Brunswick communities for use on municipal Christmas trees and other decorations.

In addition to being safer and cooler to the touch, LEDs offer an incredible cost savings over the long run. It cost just \$50 to run the LEDs for the entire season. A significant savings compared to \$5,350 it would cost to run incandescents.





Environmental issues are increasingly important to our customers, our communities and our employees. Whether it's through changes to our energy mix, the development of waste segregation processes, a commitment to monitoring and reducing our impact on the natural environment, NB Power is committed to developing an environmentally sustainable future.

Did you know

NB Power spends more dollars per kilowatt produced on protecting the environment than any other utility in Canada. And we do it while providing some of the most competitive electricity rates in the Northeast.



A renewable energy mix

NB Power has taken steps to provide customers with clean energy through the development of renewable energy initiatives. Generating electricity from renewable sources produces little to no greenhouse gases, making it an environmentally-friendly fuel option.

"We're really proud of our success on working to reduce our dependence on high-emitting energy sources. It will be good for us and great for the environment," says George Dashner, Senior Green Strategy Advisor.

We're also committed to the Renewable Portfolio Standard (RPS). This provincial regulation requires that by 2016, 10 per cent of New Brunswick's electricity must come from Eco Logo™ certified renewable sources such as wind, solar, biomass, low-impact small hydro or biogas.

We were the first province in Canada to adopt the RPS, which is enshrined in the *New Brunswick Electricity Act*.

"We're working on several initiatives that will help us meet these targets," says Dashner. "These include buying wind power, as well as working with other agencies to study the potential of tidal power and electricity generated from landfill gas."

Waste management

"At NB Power, we have a waste segregation road map," says Heidi Northrup, Environmental Management System Coordinator. "That's a fancy way of saying that we make sure the things we don't need anymore are evaluated before they're safely disposed of - to be sure we consider the opportunity to reuse, repurpose or recycle."



Recycling

NB Power is always looking for ways to reduce waste created in our offices, generating stations and the field. When decommissioning power lines, we transport all the hardware and poles off-site for reuse or recycling and when our employees noticed a large number of abandoned tires accumulating at the Mactaquac Generating Station, they took it upon themselves to recover and recycle them on behalf of the community.

Repurposing

Here's a real win-win: some of our waste goes on to be raw material for other things. For example:

- 246,000 tonnes of synthetic gypsum, a product of the flue gas desulphurization system at the Belledune, Dalhousie and Coleson Cove generating stations, was sent to be processed into wallboard
- 1,183 tonnes of fly ash and bottom ash from the combustion of heavy fuel oil at the Dalhousie and Coleson Cove generating stations were recycled for the extraction of vanadium, which is used in the steel industry

Spent fuel management

At the Point Lepreau Generating Station, we ensure used nuclear fuel is stored in a safe, secure and efficient manner. Spent fuel is stored on site in the spent fuel bay for approximately seven years. Then it is dried, sealed in special containers and transferred to above-ground dry fuel storage canisters located at our Solid Radioactive Waste Management Facility.

Polychlorinated biphenyl (PCB) management

In September 2008, Environment Canada published new PCB regulations. These set deadlines for ending the use of PCBs, eliminating PCBs currently in storage and limiting the storage time before destruction. Since PCBs were commonly used in transformers and other electrical equipment, we are responsible for ensuring contaminated equipment is stored and destroyed according to regulation. In 2008, we sent 103.05 tonnes of PCB-contaminated material for destruction and took an additional 30.69 tonnes of material out of service.

Cleanup

Our spill management processes have resulted in a marked improvement by decreasing the number and volume of spills across all of our stations. In all cases, cleanups are conducted immediately and the incidents reported to the appropriate regulatory authorities. Reviews are carried out to take the necessary steps to prevent these events in the future.

Keeping tabs on things

We constantly monitor the air, soil and water around our facilities and in our communities.

Here's how we do it:

- we have established five air quality networks around our thermal generating stations. Each network is an Environmental Information System providing ambient particulate, gas and meteorological data



- at each of our seven hydro generating stations, we work with the Department of Fisheries and Oceans Canada and the New Brunswick Department of Natural Resources to ensure there is enough water above and below dams for fish and fish habitats
- facilities enabling fish to make their way upstream are in place at the Mactaquac, Tobique, Beechwood and Milltown generating stations
- all of our thermal generating stations have wastewater treatment systems to monitor and control the quality of effluent
- at the Grand Lake and Belledune generating stations, coal pile runoff is collected and treated
- in co-operation with the Department of Environment, we operate the New Brunswick Precipitation Monitoring Network, 13 precipitation monitoring sites used to evaluate the chemistry of precipitation throughout the province
- our Health Physics Department employees are responsible for managing our Environmental Radiation Monitoring Program at the Point Lepreau Generating Station. In 2008, analyses were performed on a wide array of samples and found the public radiation dose from the Station was about 1.8 microsieverts, well below the legal limit of 1,000 microsieverts per year

"But it doesn't stop there," says Wayne Snowdon, Vice President, Generation. "NB Power is a leader in taking real steps not just to monitor the environment, but to improve it. By way of proof, we installed the country's first, third and sixth flue gas desulphurization units - scrubbers - at three of our generating stations."

Climate change

Approximately 90 per cent of New Brunswick's 18.7 million tonnes of carbon dioxide emissions come from the combustion of fossil fuels, from which 34.5 per cent come from the electricity sector.

NB Power has reduced greenhouse gas emissions (GHG) from a high of 9.94 million tonnes in 2001 to a low of 6.09 million tonnes in 2006 and 6.17 million tonnes in 2008.

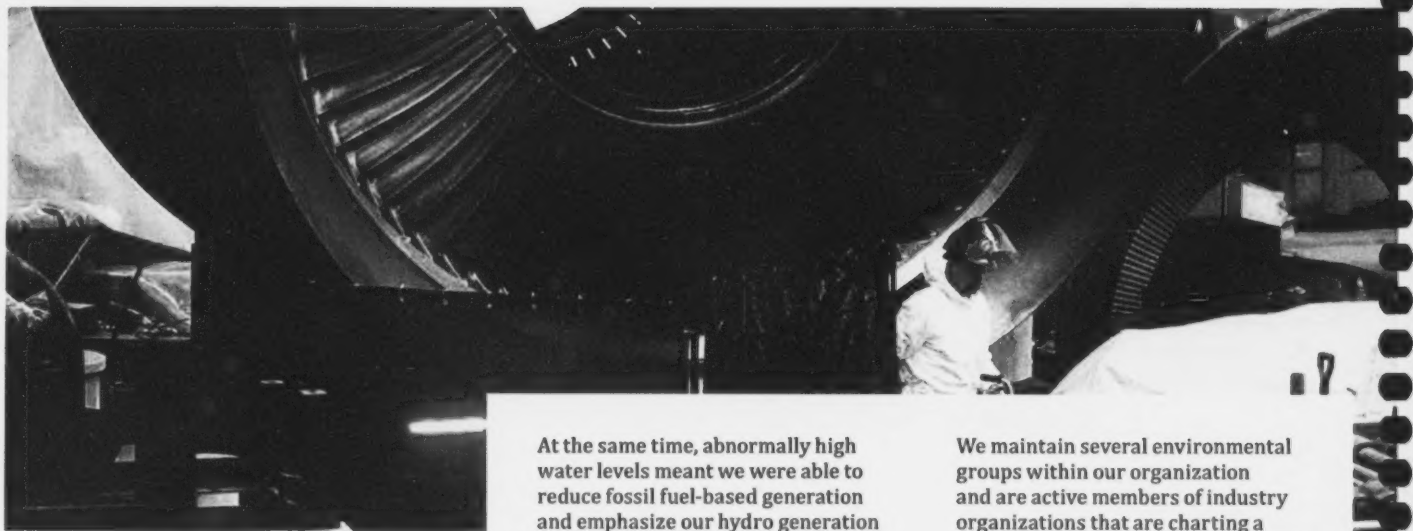
While a significant portion of these reductions can be attributed to solid management and strategic decision-making, some of the reductions have resulted from above-average hydro flows and economic electricity purchases from neighboring jurisdictions.

Introducing wind energy to our generation mix (2009), substituting a high-efficiency steam turbine to the Point Lepreau Generating Station (2009), purchasing a hydro facility and making high-value energy purchases from neighbouring utilities are all examples of management action that has resulted in GHG reductions.

Wind energy

Wind will play a big part of our future here in New Brunswick. We've made agreements to add another 400 MW of wind power through farms in the Bay of Fundy, Tantramar, Miramichi Bay, Acadie/Chaleur and inland New Brunswick. We now have agreements with:

- Acciona Wind Energy Canada Limited to construct a 43 turbine wind farm in Aulac, and a 33 turbine wind farm in Lamèque
- SUEZ Energy, whose 16 and 17 turbine sites on Caribou Mountain will be completed in 2009, supplying enough electricity for approximately 19,000 homes
- TransAlta, whose Kent Hills Wind Farm is now operational and generating enough electricity to power approximately 17,000 homes



Reducing emissions

We continue to make significant investments in new environmental protection equipment that will help us keep emissions as low as possible. These include:

- advanced combustion control systems at the Coleson Cove Generating Station to limit nitrogen oxide (NO_x) emissions
- low nitrogen oxide burners at the Belledune Generating Station, which are designed specifically to limit NO_x emissions
- high-efficiency water injection systems at the Millbank and Ste. Rose generating stations, which reduce the production of NO_x emissions
- electrostatic precipitators at the Coleson Cove, Belledune, Dalhousie and Grand Lake generating stations, which are used to control particulate emissions

At the same time, abnormally high water levels meant we were able to reduce fossil fuel-based generation and emphasize our hydro generation stations during a highly volatile fuel market environment, which also allowed us to reduce GHG emissions.

"NB Power continues to evaluate all options as it continues to reduce greenhouse gas emissions. We are striving to not only reduce our environmental footprint, but also to minimize the potential financial impact of greenhouse gas regulations on New Brunswick ratepayers," says Christian Richard, Director, Strategic Environmental Planning.

NB Power will continue to evaluate all available options to reduce our carbon footprint while providing value to our customers. This includes exploring renewable energy options, improving existing plant efficiency, contributing to research and ensuring we have a voice in the ongoing development of regulation(s).

Greener, together

"At NB Power, our commitment to the environment is more than a job. It's a core business priority that is woven into everything we do," says Chantal St. Pierre, Director of Regulatory and Environmental Affairs.

We maintain several environmental groups within our organization and are active members of industry organizations that are charting a greener path for our sector as a whole.

NB Power Environmental Services Team

A group that provides environmental support to our four operating companies, they are responsible for integrating environmental management into our operations and project planning, monitoring/reporting our compliance with regulations, consulting with outside agencies, conducting audits and providing input on new and revised environmental standards and legislation.

NB Power Environmental Council

A group with representation from the holding company and each operating company, responsible for communicating with all stakeholders to ensure everyone clearly understands their role in fulfilling our environmental responsibilities.

National benchmarks

The Environmental Commitment and Responsibility (ECR) Program began in 1997 as an industry-wide environmental initiative of the electric utility members of the Canadian Electricity Association (CEA). The program demonstrated an industry commitment to environmental performance improvement and the implementation of an Environmental Management System (EMS) at member utilities. NB Power has been an active and engaged participant in the program and participated in the transformation of this program into the CEA's Sustainable Electricity Program.

The launch of the Sustainable Electricity Program is the start of a long-term transformation on how the electricity sector does business. The industry considers sustainable development to be so important that participation in this program is a condition of membership at CEA. With sustainable electricity, the electricity sector has now made a commitment to our stakeholders, to continue to improve our overall sustainable development performance and report our progress in a transparent and timely manner.

A summary of NB Power's Sustainable Development Indicators for 2008 is located in the About NB Power section of our corporate website, under Publications. You can also read more about the CEA's sustainable electricity program by visiting <http://www.sustainableelectricity.ca/en/program-overview.php>.

Atlantic Bio Energy Task Forum

Representatives from NB Power joined the Atlantic Bio Energy Forum, a group made up of regional government, industry, federal and regional organizations and postsecondary institutions. The Forum's purpose was to better understand what opportunities may exist in the area of wood-based bio products. The Forum's work has been completed and several opportunities were identified. NB Power is supporting a wood torrefaction process, which dries wood products to create a charcoal-like substance that can be burned as fuel in coal-fired boilers. This work supports the struggling forestry industry in the province.

Environmental Management Systems

We're committed to managing our operations in a responsible manner – one that minimizes our impact on New Brunswick's environment. Our employees, contractors and other non-employees, whose work might have an impact on the environment, are all required to adhere to the Environmental Management Systems (EMS) we have in place.

Our EMS program focuses on continual improvement through:

- planning
- operational control
- auditing (both internal and external)
- corrective actions
- annual management review

We're making a difference – and we're doing it every day.

Special projects

In 2008/09, we worked on several large-scale initiatives that will help us better understand how we can continue to reduce our environmental impact. These include:

- completion of the Environmental Impact Assessment Registration document associated with the proposed Nepisiguit Transmission Line Project, which would see the Nepisiguit Falls Generating Station connected to the 69 kV electrical grid
- completion of, and the Department of Environment's approval of, the wash pad and wastewater filtration system at the Marysville Service Centre, allowing us to wash our largest fleet vehicles, including those contaminated with oil
- completion of year one environmental effects monitoring for the International Power Line Project, including species at risk, wetlands, bird diversion and reclamation work

The Belledune Generating Station used to produce 72,580 tonnes of a coal by-product called fly ash that went straight to NB Power's onsite engineered landfills. Through a partnership with Separation Technologies Canada (STC), we diverted all of it from landfills and sold it to the concrete industry.



RATES, RELIABILITY & SERVICE

Building productive, proactive
customer relationships

It's really about trust. Trust that we're doing our best to ensure our rates are not just competitive – but as low as we can responsibly make them; that we'll continue to safely generate and deliver electricity in a reliable manner; and that we're focused on making our customers' lives just a little bit easier.

Rates

Fluctuations in the price of oil over the past year led us to look for ways to reduce costs by using alternative fuels and fuel blends.

- In 2008, we conducted tests at the Coleson Cove Generating Station to explore the possibility of using petroleum coke and heavy fuel oil to fire one of the station's units. In March 2009, the New Brunswick Department of Environment approved our Environmental Impact Assessment (EIA) application, permitting the use of this alternative fuel blend, which will result in fuel cost savings of 20 to 30 per cent.
- Lower-cost fuel alternatives are also being investigated for the Dalhousie Generating Station, including technology solutions that will allow us to convert the Station to burn petroleum coke.
- A lower-cost fuel blend is also in use at the Belledune Generating Station.

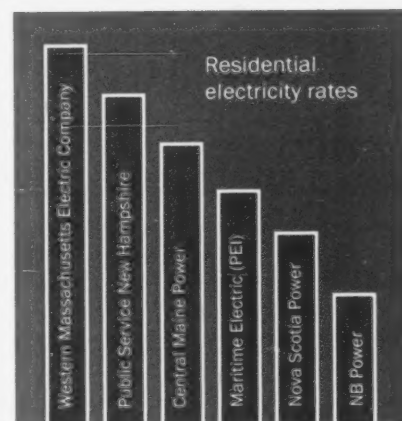
Once generated, the price of electricity also varies widely on the open market. But that can mean good news for our customers.

"Our Energy Marketing Desk is a little like working at a stock exchange," says Kim McKinley, Energy Marketer for NB Power. "When available, we snap up low-priced electricity from our neighbours' grids for consumption here in New Brunswick. We also sell electricity to our neighbours when we are generating more electricity than we can use. It's a balanced approach that contributes to keeping our rates low."

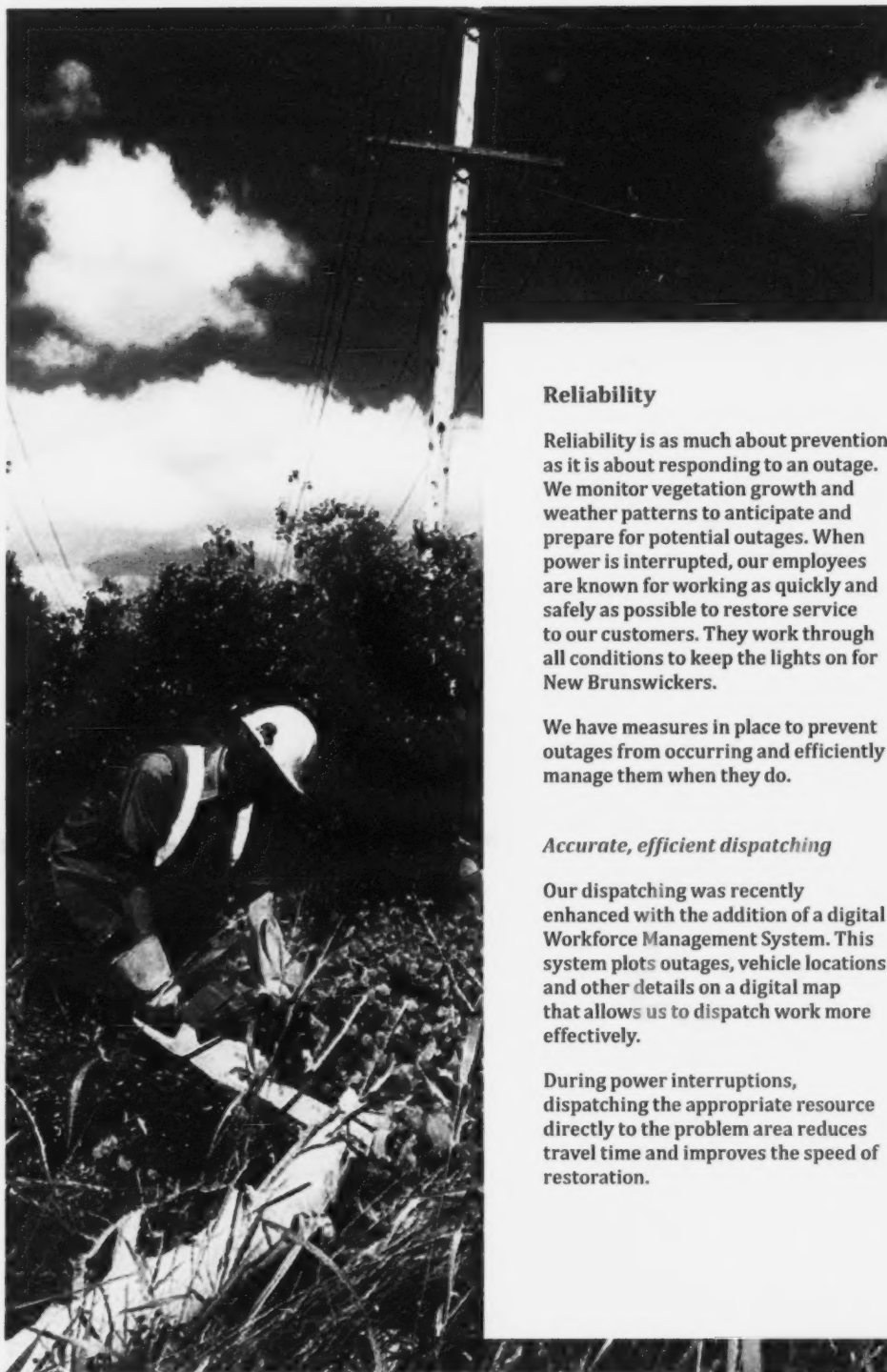
When we can buy power cheaper than we can generate it, we buy it and pass the savings on to our customers. When we have more power than we need, we sell off the surplus and put that money back to work for us. Those transactions result in annual margins resulting in rate savings of at least 10 per cent.

- In 2009, the Energy Marketing Desk received approvals to carry out business transactions in the United States without using a third party as a broker.
- In the first two months, we realized savings that covered the costs to obtain the approvals.

Keeping our rates the lowest in the Maritimes and Northeastern US is a real challenge. We remain committed to limiting rate increases to three per cent each year over the next two fiscal years: 2009/10 and 2010/11.



With forward-thinking management and a balanced generation portfolio, NB Power maintains some of the most competitive residential power rates in the Northeast.



Reliability

Reliability is as much about prevention as it is about responding to an outage. We monitor vegetation growth and weather patterns to anticipate and prepare for potential outages. When power is interrupted, our employees are known for working as quickly and safely as possible to restore service to our customers. They work through all conditions to keep the lights on for New Brunswickers.

We have measures in place to prevent outages from occurring and efficiently manage them when they do.

Accurate, efficient dispatching

Our dispatching was recently enhanced with the addition of a digital Workforce Management System. This system plots outages, vehicle locations and other details on a digital map that allows us to dispatch work more effectively.

During power interruptions, dispatching the appropriate resource directly to the problem area reduces travel time and improves the speed of restoration.

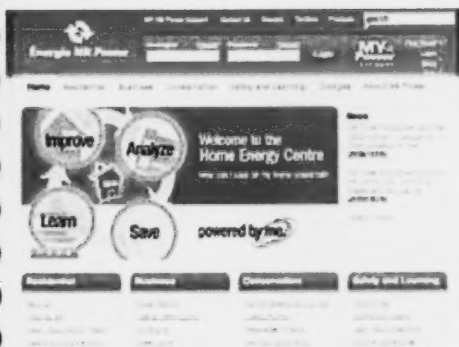
Vegetation management

NB Power has a comprehensive Vegetation Management Program that:

- restricts uncontrolled growth of trees
- promotes alternate land use options for Rights-Of-Way (ROW), such as Christmas tree plantations
- protects migratory birds and their nests
- protects watercourses and wetlands
- has strict guidelines for herbicide use

In 2008, NB Power employees and contractors trimmed trees and brush on approximately 3,000 kilometres of transmission and distribution line Row's, by cutting or pruning using manual and mechanical operations. The Vegetation Management Program is in place to avoid uncontrolled tree growth that can often create fire or safety hazards, hinder routine line maintenance and cause interruptions in electric service.

NB Power has a number of initiatives in place to inform our customers of our Vegetation Management Program, including telephone messaging and door hangers to advise customers of tree trimming, public education during customer requested tree work, and a "Right Tree, Right Place" program advising homeowners on planting trees near power lines.



Did you know

If every NB Power residential customer switched to paperless billing we would save 2,200 trees per year. Visit www.nbpower.com to sign up today.

Service

Drive-by meter reading

Our meter-reading program is a new initiative that allows us to read approximately 50 per cent of our residential customer meters using drive-by technology. This program, which is scheduled for completion in 2012, allows us to allocate our resources more efficiently and decreases the number of resources required.

Self-serve website

In December 2008, NB Power's new customer self-serve website went live. The site provides residential customers with the convenience and flexibility of managing their NB Power accounts online. It also provides us with the tools to serve our customers quickly and more effectively.

Some of these new tools include:

- the Home Energy Centre, which provides customers with the ability to create their own electricity profile and receive efficiency tips based on their profile
- the MY NB Power Account tool, that allows customers to:
 - view their bill and payment history
 - report and make payments
 - view their consumption history
 - edit account information
 - search for power outage information based on a customer's account number or phone number

Additional support

NB Power has a number of initiatives to support our customers during the winter months, including the Warm Hearts, Warm Homes Program.

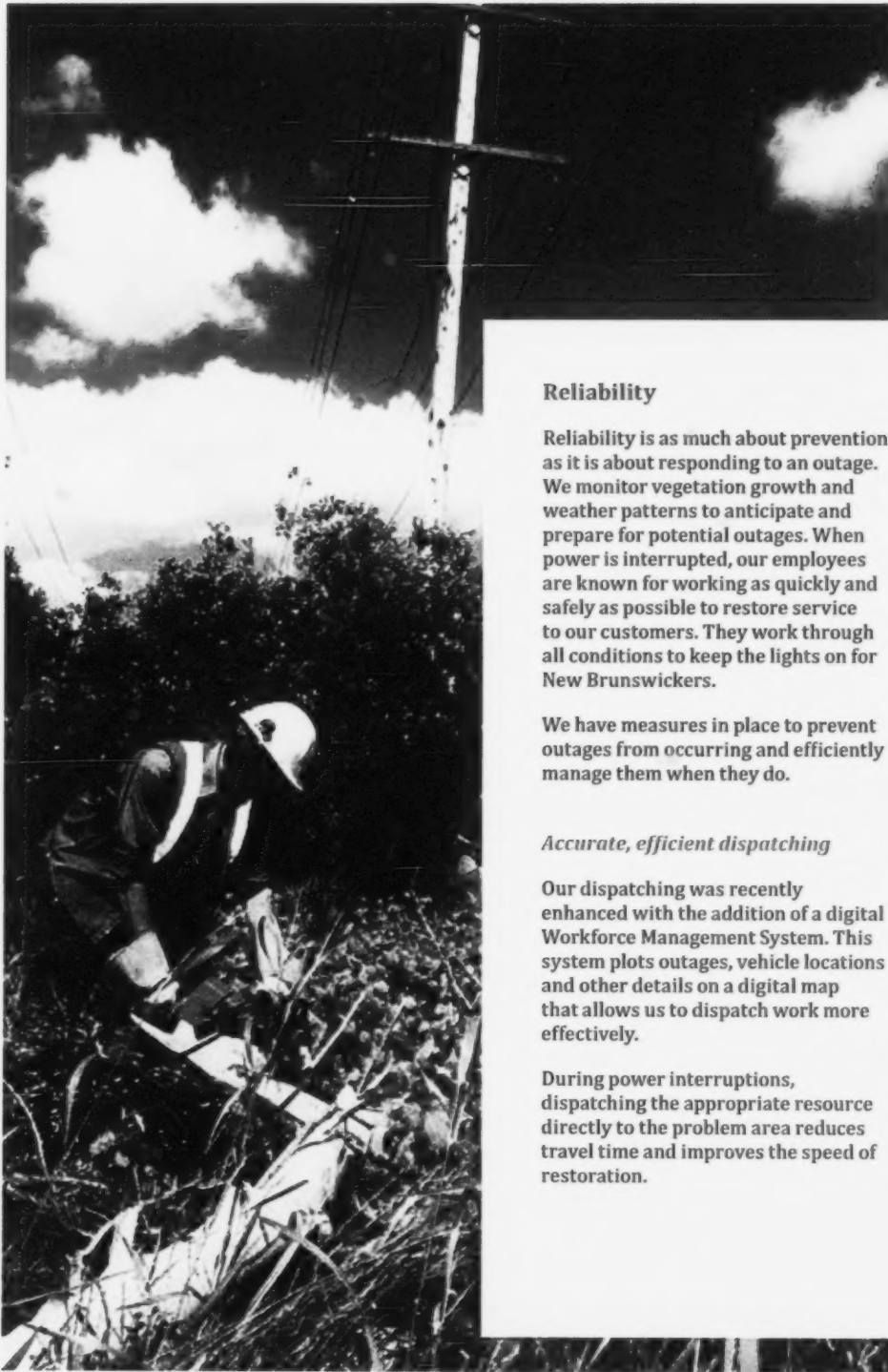
Our Customer Interaction Centre Agents educated customers about eligibility for the Salvation Army's Warm Hearts, Warm Homes Program, which helped New Brunswickers in financial need heat their homes through the winter months. NB Power was one of the corporate sponsors and contributed \$150,000 to the program.

Management pledged to match employee contributions and our employees donated more than \$7,600 to the program through personal donations and fundraising events.

In addition, we offered our customers an incentive to sign up for paperless billing. For every customer who switched, we contributed a \$10 credit to the Warm Hearts, Warm Homes Program.

We also continue to focus on:

- promoting Equalized Payment Plans
- educating customers on the Winter Operating Guidelines
- promoting the Home Energy Centre tool



Reliability

Reliability is as much about prevention as it is about responding to an outage. We monitor vegetation growth and weather patterns to anticipate and prepare for potential outages. When power is interrupted, our employees are known for working as quickly and safely as possible to restore service to our customers. They work through all conditions to keep the lights on for New Brunswickers.

We have measures in place to prevent outages from occurring and efficiently manage them when they do.

Accurate, efficient dispatching

Our dispatching was recently enhanced with the addition of a digital Workforce Management System. This system plots outages, vehicle locations and other details on a digital map that allows us to dispatch work more effectively.

During power interruptions, dispatching the appropriate resource directly to the problem area reduces travel time and improves the speed of restoration.

Vegetation management

NB Power has a comprehensive Vegetation Management Program that:

- restricts uncontrolled growth of trees
- promotes alternate land use options for Rights-Of-Way (ROW), such as Christmas tree plantations
- protects migratory birds and their nests
- protects watercourses and wetlands
- has strict guidelines for herbicide use

In 2008, NB Power employees and contractors trimmed trees and brush on approximately 3,000 kilometres of transmission and distribution line Row's, by cutting or pruning using manual and mechanical operations. The Vegetation Management Program is in place to avoid uncontrolled tree growth that can often create fire or safety hazards, hinder routine line maintenance and cause interruptions in electric service.

NB Power has a number of initiatives in place to inform our customers of our Vegetation Management Program, including telephone messaging and door hangars to advise customers of tree trimming, public education during customer requested tree work, and a "Right Tree, Right Place" program advising homeowners on planting trees near power lines.

Service

Drive-by meter reading

Our meter-reading program is a new initiative that allows us to read approximately 50 per cent of our residential customer meters using drive-by technology. This program, which is scheduled for completion in 2012, allows us to allocate our resources more efficiently and decreases the number of resources required.

Self-serve website

In December 2008, NB Power's new customer self-serve website went live. The site provides residential customers with the convenience and flexibility of managing their NB Power accounts online. It also provides us with the tools to serve our customers quickly and more effectively.

Some of these new tools include:

- the Home Energy Centre, which provides customers with the ability to create their own electricity profile and receive efficiency tips based on their profile
- the MY NB Power Account tool, that allows customers to:
 - view their bill and payment history
 - report and make payments
 - view their consumption history
 - edit account information
 - search for power outage information based on a customer's account number or phone number

Additional support

NB Power has a number of initiatives to support our customers during the winter months, including the Warm Hearts, Warm Homes Program.

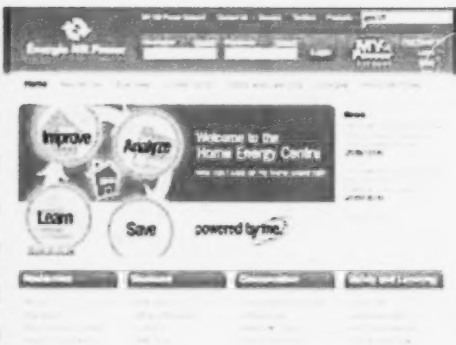
Our Customer Interaction Centre Agents educated customers about eligibility for the Salvation Army's Warm Hearts, Warm Homes Program, which helped New Brunswickers in financial need heat their homes through the winter months. NB Power was one of the corporate sponsors and contributed \$150,000 to the program.

Management pledged to match employee contributions and our employees donated more than \$7,600 to the program through personal donations and fundraising events.

In addition, we offered our customers an incentive to sign up for paperless billing. For every customer who switched, we contributed a \$10 credit to the Warm Hearts, Warm Homes Program.

We also continue to focus on:

- promoting Equalized Payment Plans
- educating customers on the Winter Operating Guidelines
- promoting the Home Energy Centre tool



Did you know

If every NB Power residential customer switched to paperless billing we would save 2,200 trees per year. Visit www.nbpower.com to sign up today.



Did you know



As a Crown Corporation, NB Power is subject to a number of reviews of its energy rates, operations and special initiatives by various regulatory bodies including the New Brunswick Energy and Utilities Board (EUB), Canadian Nuclear Safety Commission (CNSC) and the New Brunswick Department of Environment.

Facts, figures and interesting tidbits.

16 Number of generation facilities

3,194
Installed capacity (MW)

20,397
Total length of distribution lines (km)

26 Per cent of our capacity produced by renewable energy

2,209
Import capacity (MW)

2,416
Export capacity (MW)

1,836
Number of streetlights refurbished in 2008

\$150,000
Amount of money NB Power corporately contributed to the 2008 Warm Hearts, Warm Homes Program

380,682
Number of customers (direct and indirect)

6,829
Total length of transmission lines (km)

525,000
Number of poles

60
Number of nesting platforms for osprey

68,000
NB Power streetlights in operation

32 Number of wind turbines at New Brunswick's first wind farm - Kent Hills

21,321
Total area of transmission rights-of-way (ha)

2 Number of times NB Power has been named one of Canada's Top 100 Employers

2,729
Total number of people employed by NB Power (including NB Coal)

78 Per cent of residential customers who rent NB Power electric water heaters

38,000
NB Power dusk-to-dawn lights in operation

\$7,600
Amount of money raised by employee contributions for Warm Hearts, Warm Homes Program and matched by NB Power Management

17,000
Number of homes that can be powered by the Kent Hills wind farm

Did you know ?

LED holiday lighting consumes between 90 and 95 per cent less energy than traditional holiday lighting and can work for up to 20 years. In addition to the savings, they're also a safer alternative. They produce far less heat and have no filaments or glass to break.

*Please note, this number does not include the 635 MW for the Point Lepreau Generating Station, which was offline during this time.

Point Lepreau Generating Station Refurbishment Project

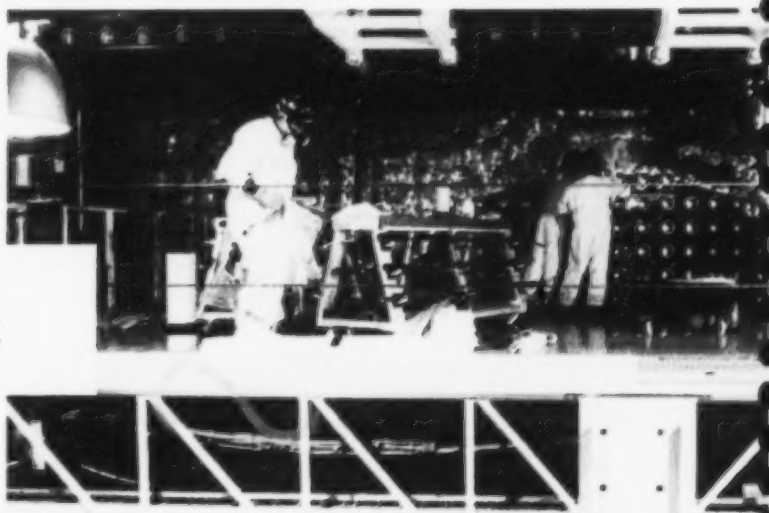
Looking back and looking forward

NB Power has a tradition of industry leadership in providing green and forward-thinking energy solutions. Officially launched in March 2008, the refurbishment of the Point Lepreau Generating Station is the first of its kind in the world and provides a cost effective alternative to new nuclear construction.

Despite scheduling challenges, the refurbishment continues to be a sound choice for the people of New Brunswick.

Why?

- Since commercial operation in 1983, the Point Lepreau Generating Station has generated a cumulative total of over 114,000,000 MWh of electricity, displacing the equivalent of about 162 million barrels of oil, averting the emissions of about 87.75 million tonnes of CO₂.
- The project will save New Brunswickers nearly \$400 million over the cost of a new generating station and future-proof us against major new environmental regulations and any price on carbon.
- Once complete, New Brunswickers can expect another 25 to 30 years of reliable electricity with limited greenhouse gas emissions.
- The Point Lepreau Generating Station's consistently strong performance is one of the reasons why electricity rates in New Brunswick have remained stable while other jurisdictions have seen spikes.



Committed to safety

As we reach new milestones in the Point Lepreau Generating Station Refurbishment Project, NB Power has amassed more than 3.9 million person-hours without a lost-time accident. That's the equivalent to one person working approximately 487,500 eight-hour days. And through it all, our management, staff and contractors have worked diligently to refurbish the Station safely for the people of New Brunswick.

"To remind us of the importance of safety, I carry a photo of my two children, Lauren and Simon, on the inside of my hard hat," said Jason Lowe, currently working on the project as a scaffolder. "That way, they're with me all day long," he said. Jason demonstrates one of the core project values; that there is nothing more important than arriving home safe.



Public safety awareness

Learning @ the Game Zone

In co-operation with concerned educators and customers, we've developed a safety awareness campaign to help educate and protect New Brunswick children.

XCord's Game Zone, located at <https://secure.nbpower.com/en/gamezone>, offers kids a variety of interactive games. To play the games, each player is given credits to start. To earn more credits, the player must read the safety rules and accurately answer questions about electrical safety.

Resources for educators

We also offer free educational materials to teachers and students. Specially-trained members of the NB Power team are available to visit classrooms across the province with targeted presentations that promote understanding and minimizing the risk of injury.

If you are a New Brunswick teacher and are interested in a safety presentation for your class, please call (506) 458-4448 during normal business hours or visit the safety section of the NB Power website at www.nbpower.com.

Contractor safety

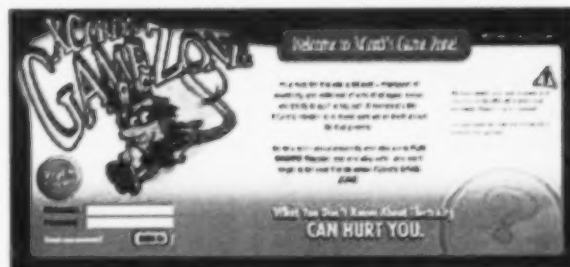
Working safely is a top priority at NB Power. That's why we offer safety services to contractors working in New Brunswick.

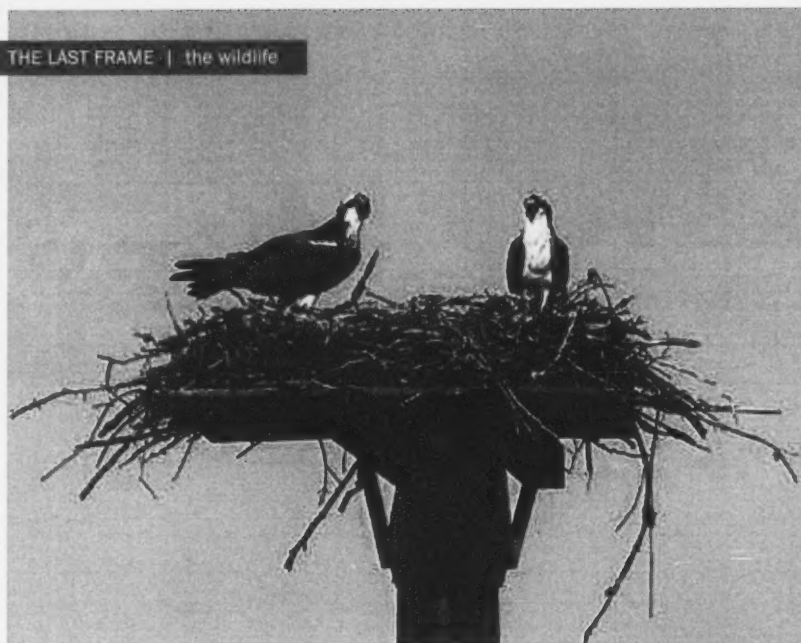
Together, we make job sites a safer place to work by:

- locating and marking underground wiring
- de-energizing and insulating overhead lines
- raising overhead lines
- providing warning signs for hazard zones

We also help to educate contractors through:

- presentations
- awareness kits
- partnerships with other organizations
- public awareness campaigns





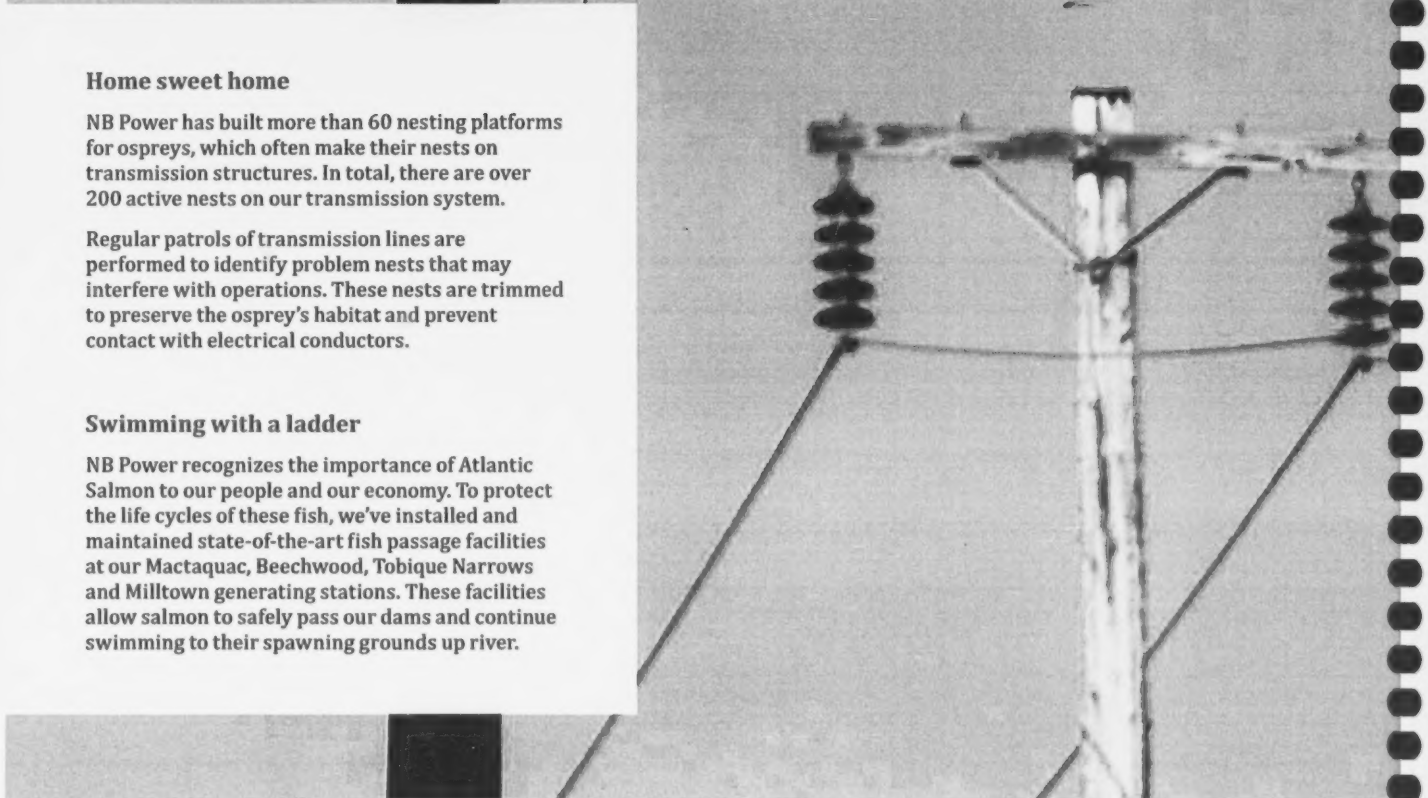
Home sweet home

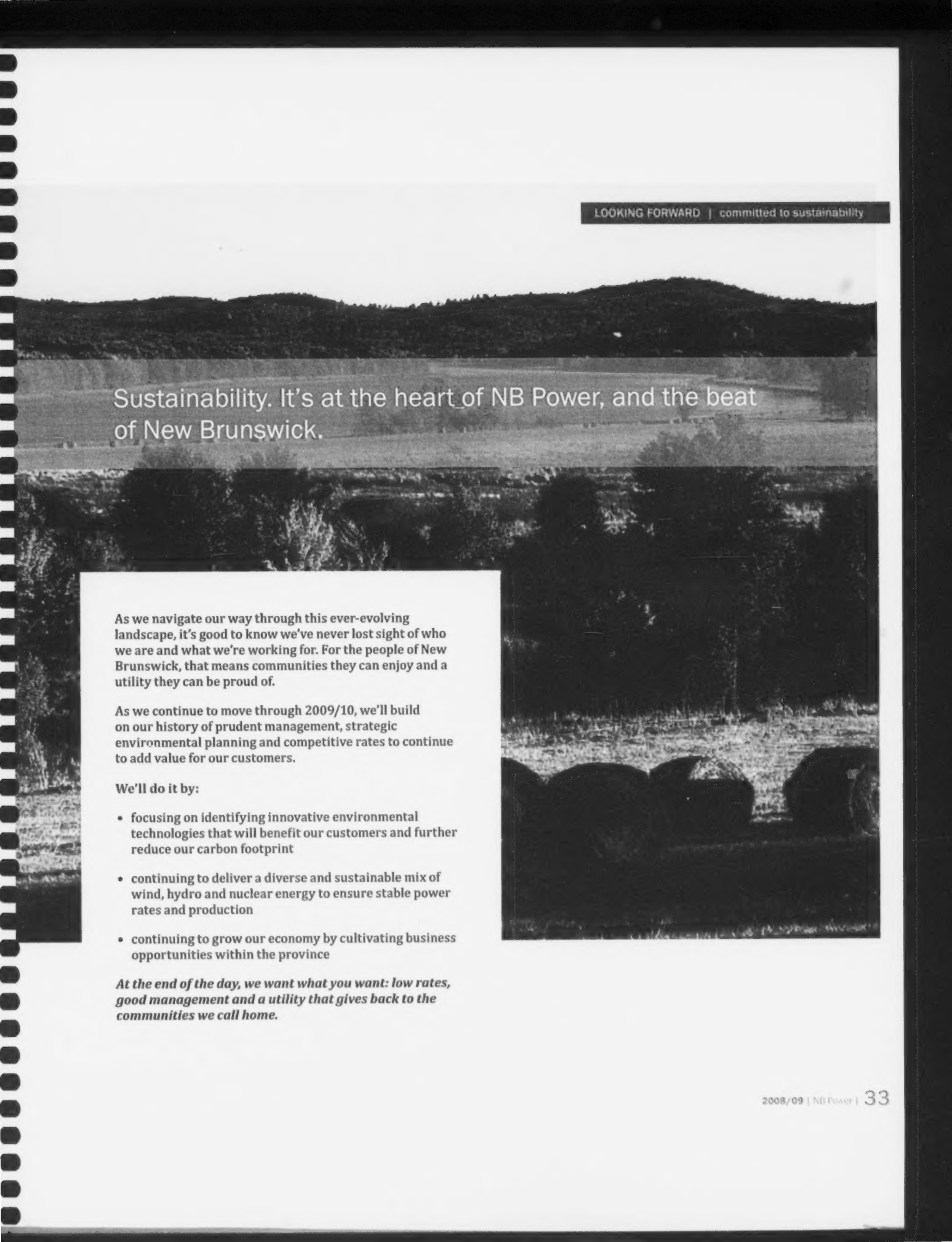
NB Power has built more than 60 nesting platforms for ospreys, which often make their nests on transmission structures. In total, there are over 200 active nests on our transmission system.

Regular patrols of transmission lines are performed to identify problem nests that may interfere with operations. These nests are trimmed to preserve the osprey's habitat and prevent contact with electrical conductors.

Swimming with a ladder

NB Power recognizes the importance of Atlantic Salmon to our people and our economy. To protect the life cycles of these fish, we've installed and maintained state-of-the-art fish passage facilities at our Mactaquac, Beechwood, Tobique Narrows and Milltown generating stations. These facilities allow salmon to safely pass our dams and continue swimming to their spawning grounds up river.





Sustainability. It's at the heart of NB Power, and the beat of New Brunswick.

As we navigate our way through this ever-evolving landscape, it's good to know we've never lost sight of who we are and what we're working for. For the people of New Brunswick, that means communities they can enjoy and a utility they can be proud of.

As we continue to move through 2009/10, we'll build on our history of prudent management, strategic environmental planning and competitive rates to continue to add value for our customers.

We'll do it by:

- focusing on identifying innovative environmental technologies that will benefit our customers and further reduce our carbon footprint
- continuing to deliver a diverse and sustainable mix of wind, hydro and nuclear energy to ensure stable power rates and production
- continuing to grow our economy by cultivating business opportunities within the province

At the end of the day, we want what you want: low rates, good management and a utility that gives back to the communities we call home.



FINANCIALS

Full financials

Key measures of financial performance are provided on the following pages. Our **full financial statements for 2008/09** are located in the About NB Power section of our corporate website, under Publications.

2008/09: FINANCIAL SUMMARY

In spite of the economic challenges that faced our region in 2008/09, NB Power is still a source of good news for the people of New Brunswick.

For the third straight year, we've recorded positive earnings. We've kept our assets in tip-top shape and we've helped New Brunswickers conserve more energy this year while keeping our rates among the lowest in Northeast North America.

To us, 2008/09 was a year where good planning met good fortune. It was a great year for hydro production and a mild winter. And because our assets were readied for increased production, we were able to take advantage of favourable market opportunities to buy and sell power at a profit.

What does this mean for you? It means the power to keep rate increases under three per cent, while some of our neighbours are facing double-digit climbs. It also means we've got the leverage to invest in new projects like the Point Lepreau Generating Station Refurbishment Project.

Impact of financial and operating performance factors

There are many factors that impact earnings before taxes that are outside the control of management. These factors results in significant swings in year-to-year results because they affect the cost of generation or price competitiveness in export markets.

Key measures of financial performance

Financial Performance (in millions)	2008/09	2007/08	2006/07
Net earnings	\$70	\$89	\$21
Cash flow from operations	\$273	\$316	\$238
Capital expenditures	\$438	\$409	\$287
Increase in debt	\$479	\$230	\$84
Expenditures (revenue) deferred for regulatory purposes	\$386	\$(73)	-

Factors that affect financial and operating performance

These are the factors that affect NB Power's variability in earnings. This table explains how each factor can affect the variability of revenue and expenses.

Factor	Description
Heavy fuel oil based generation	<p>Heavy fuel oil subject to market price fluctuations represent:</p> <ul style="list-style-type: none"> • approximately 10 to 15 per cent of total supply, and • 15 to 20 per cent of fuel and purchased power costs. <p>During 2008/09 there was significant market volatility with heavy fuel oil prices as they increased to all time highs of over \$110/bbl (USD) in July 2008, but began a dramatic decline in September and at year-end were approximately in the \$40/bbl (USD) range.</p> <p>To minimize short to medium term heavy fuel oil price exposure, the Group purchases its forecasted in-province and firm export heavy fuel oil requirements 18 months forward.</p>
Exchange rates	<p>NB Power is exposed to foreign exchange risk when its purchases of fuel and power in US dollars exceeds revenue received in US dollars.</p> <p>There was significant volatility in the Canadian dollar during the past year. The value of the Canadian dollar compared to the US dollar fluctuated from 1.00 in May 2008 to 0.77 in March 2009. The volatility was especially prevalent in the fall of 2008.</p> <p>NB Power enters into purchase contracts 18 months forward for US dollar requirements net of expected US dollar revenue.</p>
Coal based generation	<p>Represents:</p> <ul style="list-style-type: none"> • approximately 20 to 25 per cent of total supply, and • 15 to 20 per cent of the fuel and purchased power costs. This has increased significantly over the previous year. <p>Coal is purchased through tendered contracts of one to two year terms.</p>
Purchased power contracts based on natural gas	<p>Represents:</p> <ul style="list-style-type: none"> • approximately 5 to 10 per cent of total supply, but • approximately 15 to 20 per cent of the total fuel and purchased power costs. <p>As a portion of the price of NB Power's purchase power contracts is based on natural gas prices, to manage this exposure the Group enters into purchase contracts 18 months forward.</p>

Short-term energy purchases	<p>Represent</p> <ul style="list-style-type: none"> • approximately 20 to 25 per cent of total supply requirements, and • approximately 35 to 40 per cent of total fuel and purchased power costs. <p>Depending on world oil prices, lower cost energy is purchased to displace internal oil-fired generation. NB Power enters into purchase contracts for energy up to 18 months forward to supply forecasted requirements.</p>						
Out-of-province margins	<p>The Group is a price-taker in regional energy markets. In the normal course of business,</p> <ul style="list-style-type: none"> • lower cost energy is directed to in-province use, and • higher cost energy, that is often heavy fuel oil based and only competitive if its marginal cost is lower than available market prices, is available for out-of-province sales. <p>Market prices are driven by the cost of natural gas generation. NB Power sells more or less generation out-of-province based on the relationship between</p> <ul style="list-style-type: none"> • world prices for natural gas, and • world prices for heavy fuel oil. <p>The Group fixes margins by selling forward when not constrained by operating conditions.</p>						
Hydro based generation	<p>Represents NB Power's lowest-cost fuel for generating electricity. It typically accounts for 15 to 20 per cent of total production. The table below describes how hydro flows can increase or decrease generation costs.</p> <table> <tr> <th>If hydro flows are</th><th>then NB Power</th></tr> <tr> <td><i>below anticipated levels</i></td><td><i>uses other more expensive fuel to make up the shortfall and increases its generation costs.</i></td></tr> <tr> <td><i>higher than anticipated</i></td><td><i>reduces the use of expensive fuels and decreases its generation costs.</i></td></tr> </table> <p>Hydro net generation, as a percentage of long-term average over the past ten years, has ranged from 70 per cent to 120 per cent of the long-term average.</p>	If hydro flows are	then NB Power	<i>below anticipated levels</i>	<i>uses other more expensive fuel to make up the shortfall and increases its generation costs.</i>	<i>higher than anticipated</i>	<i>reduces the use of expensive fuels and decreases its generation costs.</i>
If hydro flows are	then NB Power						
<i>below anticipated levels</i>	<i>uses other more expensive fuel to make up the shortfall and increases its generation costs.</i>						
<i>higher than anticipated</i>	<i>reduces the use of expensive fuels and decreases its generation costs.</i>						
Nuclear based generation	<p>In previous years, nuclear generation represented up to 25 per cent of total production through the Point Lepreau Generating Station, of which effective operation is essential for NB Power's positive financial performance.</p> <p>On March 28, 2008, Point Lepreau Generating Station began an 18-month refurbishment outage. There was no production from nuclear generation in 2008/09.</p> <p>The additional costs to supply energy and the period costs incurred during the outage are charged to a deferral account (see regulatory deferral section for more details).</p>						

Other key highlights

In 2008/09, NB Power:

- achieved an operating margin of 15 per cent compared to 17 per cent in 2007/08
- generated earnings before special payments in lieu of income taxes of \$104 million compared to \$138 million in 2007/08
- implemented an average 3.0 per cent rate increase on April 1, 2008
- achieved thermal generating station equivalent availability of 87 per cent compared to 81 per cent in 2007/08 despite challenges of several forced outages at thermal generating stations
- incurred 17 per cent above long-term average for hydro generation compared to 4 per cent in 2007/08
- invested \$265 million in the Point Lepreau Generating Station Refurbishment Project
- deferred \$234 million in costs relating to the Point Lepreau Generating Station Refurbishment Project, which will be amortized over the life of the refurbished generating station (in accordance with the enacted legislation)
- experienced reduced load due to large industrial closures
- suffered damages to the Grand Falls Generating Station and related transmission assets, as a result of a flood in Spring 2008
- managed financial risk and market volatility through its hedging program
- received deliveries of fuel related to a lawsuit settlement with Petroleos de Venezuela S.A. (PDVSA) that provides approximately \$29 million annually for the remaining life of the Coleson Cove Generating Station, effectively reducing NB Power's rate increase by 25%

Earnings factors

A decrease in gross margin of \$55 million was a significant factor contributing to the change in year-over-year earnings before special payment in lieu of income taxes. The main factors that contributed to the decrease in gross margin were:

- lower in-province revenue due to lower load as a result of closure of major industrial customers and warmer weather
- higher prices of generation and purchased power
- lower out-of-province revenue due to lower volumes offset by:
 - higher hydro flows in 2008/09 at 117 per cent of the long-term average compared to 104 per cent of the long-term average in 2007/08
 - higher in-province rates due to the implementation of an approved 3.0 per cent average rate and higher average export prices

Other significant factors that contributed to the decrease in year-over-year earnings before special payments in lieu of taxes were:

- 2007/08 revenue included a lawsuit settlement with PDVSA of \$29 million
- Increased operations, maintenance and administration expense in 2008/09

These factors were partially offset by lower amortization expense and lower finance charges.

Change in cash flow

Cash flow from operations in 2008/09 decreased by \$43 million to \$273 million. This resulted from a decrease in net earnings and a decrease in amortization.

Change in debt level

The NB Power Group's debt increased by \$479 million in 2008/09. The increase was due to financing requirements for the Point Lepreau Refurbishment Project and related deferral.

Financial ratios and percentages

Financial Ratios and Percentages	2008/09	2007/08	2006/07
Operating margin	15%	17%	13%
Operating cash flow / capital expenditures	0.62	0.77	0.83
Operating cash flow / total debt	0.07	0.09	0.07
Capital expenditures / Net book value of property, plant and equipment	12%	12%	8%
Per cent of debt in capital structure	93%	91%	93%
Interest coverage ratio ¹	1.28	1.60	1.03

¹Interest coverage ratio is defined as adjusted finance charges (finance charges net of interest income, realized foreign exchange, debt portfolio management fee, interest during construction, debenture discount amortization and deferred interest amortization) divided by the adjusted earnings before interest and taxes (earnings before interest and taxes net of debt portfolio management fee and investment income). This formula was deemed appropriate by the New Brunswick Energy and Utilities Board (EUB).

Measuring financial and operating performance factors

The table below provides explanations of the factors behind NB Power's variability in earnings. The indicative prices quoted in the table below are un-hedged prices.

Financial and Operating Factors behind Variability	2008/09	2007/08	2006/07
Range of heavy fuel oil prices (\$US / bbl Platt's NY 3 per cent) throughout the year <i>Platt's NY 3 per cent is a fuel price index benchmark reported by the dominant price benchmark reporting service Platt's NY 3 per cent refers to the sulphur level of heavy fuel oil against which NB Power benchmarks.</i>	\$27 - \$112	\$42-\$75	\$34-\$52
Range of Canadian dollar throughout the year (\$US equivalent) <i>Exchange Rate: the rate at which one currency may be converted into another.</i>	\$0.77 - \$1.02	\$0.86 - \$1.09	\$0.84 - \$0.91
Average International Coal Report coal market price (\$US / ton) <i>International Coal Report provides news and analysis on the international steam coal and coking coal markets, including evaluations of the major markets and benchmark price assessments for coal trading in the Atlantic and Pacific markets. The report covers data on shipping movements, tenders and contracts, and assesses spot prices for key benchmark prices for physical coal in both the Atlantic and Pacific markets for forward-month delivery.</i>	\$117.94	\$96.12	\$60.27
Range of natural gas prices (\$US / mmbtu) throughout the year <i>mmbtu = 1 million British Thermal Units</i>	\$3.60 - \$13.60	\$5.40- \$10.20	\$4.20 - \$8.90
Average New England on-peak prices (\$US / MWh) <i>"On Peak Price" reflects the price of electricity when demand for electricity is highest.</i>	\$81.91	\$75.77	\$66.91
Hydro net generation as a percentage of long-term average net generation <i>net generation is the amount of electricity generated by a power plant that is transmitted and distributed for consumer use and is the result of gross generation less the electric energy consumed at the generating station for station use.</i> Long-term average hydro energy is the amount of energy that can potentially be produced using the average river flow, based on the period of record (the period of record for NB Power is 1954-1994)	117%	104%	117%
Point Lepreau Generating Station net capacity factor <i>Capacity factor of a power plant is the ratio of the actual output of a power plant over a period of time and its output if it had operated at full capacity the entire time.</i>	-	72.8%*	78.2%*

*Revised February 16, 2010.



NATIONAL
BENCHMARKS

2008 SUSTAINABLE DEVELOPMENT AT A GLANCE

The Environmental Commitment and Responsibility (ECR) Program began in 1997 as an industry-wide environmental initiative of the electric utility members of the Canadian Electricity Association (CEA). The program demonstrated an industry commitment to environmental performance improvement and the implementation of an Environmental Management System (EMS) at member utilities. NB Power has been an active and engaged participant in the program and participated in the transformation of this program into the CEA's Sustainable Electricity Program.

The launch of the Sustainable Electricity Program is the start of a long-term transformation on how the electricity sector does business. The industry considers sustainable development to be so important that participation in this program is a condition of membership at CEA. With sustainable electricity, the electricity sector has now made a commitment to our stakeholders, to continue to improve our overall sustainable development performance and report our progress in a transparent and timely manner.

Environment	CEA	NB Power
Total Gross Annual SO ₂ Emission (tonnes)	422,112	21,780
Mass Gross SO ₂ Emitted Per Unit of Net Fossil Generation (g/kWh)	4.04	3.06
Total Gross Annual NO _x Emission (tonnes)	185,552	12,330
Mass Gross NO _x Emitted Per Unit of Net Fossil Generation (g/kWh)	1.76	1.73
Total Gross Annual PM ₁₀ Emissions (tonnes)	10,542	609.4
Total Gross Annual PM _{2.5} Emissions (tonnes)	5,253	513.4
Total Gross Annual Mercury Emission (kilograms)	1,736	44
Mass Gross Mercury Emitted Per Unit of Net Fossil Generation (kg/TWh)	16.60	6.18
Total dollar amount of fines in reporting year (\$)	0	0
Number of Priority Spills	67	0
Total Gross Annual Direct CO ₂ eq Emissions from Fossil Generation (tonnes)	98,896,801	6,170,000
Mass Gross CO ₂ eq Emitted Per Unit of Net Fossil Generation (kg/kWh)	0.94	0.867
Mass Gross CO ₂ eq Emitted Per Unit of Net System Generation (kg/kWh)	0.29	0.532
Total kg of SF ₆ Used for Maintenance Purposes (topping up)	6,859	31.5
Total inventory of high level PCB material in storage (tonnes)	20	0
Total inventory of low level PCB material in storage (tonnes)	1,144	0
Companies with an ISO consistent EMS (%)	88	100 (8 of 8 EMS within NB Power Group)

Society	CEA	NB Power
All injury/illness frequency rate (injuries per 200,000 hours)	2.80	0.92
Lost time injury/illness frequency rate (lost time injuries per 200,000 hours)	0.83	0.04
Lost time injury severity rate (calendar days lost per 200,000 hours)	21	0.84
Companies with public education programs (%)	96	100 (Yes)
Companies with a process for responding to stakeholders concerns (%)	93	100 (Yes)
Companies with procedures for early consultation or engagement with Aboriginal communities during project planning and development	69	100 (Yes)
Companies with an Aboriginal Affairs group or senior Aboriginal advisory positions (%)	64	100 (Yes)
Companies with business relationships or partnerships with Aboriginal communities (%)	69	100 (Yes)
Economy	CEA	NB Power
Total value of company charitable donations (\$millions)	22	Data Not Available ¹
Total annual energy efficiency savings (MWh/yr)	129,236	Data Not Available ²
Total energy saved through DSM programs (MWh)	689,837	Data Not Available ³
Total capital expenditure on new/refurbished generation infrastructure (\$billions/yr)	3.1	0.334
Total capital expenditure on new/refurbished transmission infrastructure (\$billions/yr)	1.5	0.027
Total capital expenditure on new/refurbished distribution infrastructure (\$billions/yr)	2.0	0.045
System Average Interruption Duration Index (SAIDI) Duration (hours)	6.20	6.85
System Average Interruption Frequency Index (SAIFI) Interruptions (per customer)	2.34	2.72

Notes:

- Figure is not readily available under our current trial balance format.
- A study conducted at the Belledune Generating Station concluded that any opportunities for future efficiency gains would be marginal due to the high level of adoption of technical and management best management practices. Transmission and Distribution have undertaken the development of plans to reduce terminal and substation losses however this activity is in the initial stages of development. NB Power recognizes that our facilities and fleet of over 600 on road vehicles contribute to GHGs. NB Power will lead by example and reduce our energy consumption and associated GHGs from these components of our operations. To date, energy inventories and audits of 60% of our facilities have been completed.
- NB Power has partnered with Efficiency New Brunswick to promote energy efficiency measures in the residential, community and business sectors of New Brunswick. www.efficiencynb.ca/enb/home.jsp



2008/09
FINANCIALS

Introduction

Management's discussion and analysis reviews the financial and operational results for the fiscal year ended March 31, 2009, relative to the previous year. This section should be read in conjunction with the Combined Financial Statements and the accompanying notes, as well as the Statistical Overview.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Companies included in the Combined Financial Statements

The Combined Financial Statements include the accounts of New Brunswick Power Holding Corporation and those of its Operating Companies:

- New Brunswick Power Generation Corporation (Genco), which includes
 - New Brunswick Power Coleson Cove Corporation (Colesonco), and
 - NB Coal Limited (NB Coal)
- New Brunswick Power Nuclear Corporation (Nuclearco)
- New Brunswick Power Transmission Corporation (Transco), and
- New Brunswick Power Distribution and Customer Service Corporation (Disco).

These are collectively referred to as NB Power, NB Power Group, the Group or the Corporation.

Contents of Management's Discussion and Analysis

Topic	Purpose
Financial and operating performance factors	Identifies and explains the effect of factors contributing to variability in earnings.
Financial performance	Explains the year's key financial results.
Significant events	Highlights significant events impacting the balance sheet and earnings results in the past year.
Operating financial results	Explains the operating financial results for 2008/09 including a year-over-year variance analysis.
Regulatory deferrals	Explains the impact of the regulatory deferrals.
Financial instruments	Explains how financial instruments impact financial results.
Liquidity and capital resources	Identifies and explains changes to liquidity and capital resources.
Critical accounting policies	Describes changes in accounting policies, and their impact.
Significant accounting estimates	Explains the estimates made, and how they impact earnings.

Introduction

This explains why the NB Power Group earnings before taxes are subject to significant variability under normal operations.

FINANCIAL AND OPERATING PERFORMANCE FACTORS

Impact of financial and operating performance factors

There are many factors that impact earnings before taxes that are outside the control of management. These factors result in significant swings in year-to-year results because they affect the cost of generation or price competitiveness in export markets.

Factors that affect financial and operating performance

These are the factors that affect NB Power's variability in earnings. This table explains how each factor can affect the variability of revenue and expenses.

Factor	Description
Heavy fuel oil based generation	<p>Heavy fuel oil subject to market price fluctuations represent</p> <ul style="list-style-type: none"> • approximately 10 to 15 per cent of total supply, and • 15 to 20 per cent of fuel and purchased power costs. <p>During 2008/09 there was significant market volatility with heavy fuel oil prices as they increased to all time highs of over \$110/bbl (USD) in July 2008 but began a dramatic decline in September and at year end were approximately in the \$40/bbl (USD) range.</p> <p>To minimize short to medium term heavy fuel oil price exposure, the Group purchases its forecasted in-province and firm export heavy fuel oil requirements 18 months forward.</p>
Exchange rates	<p>NB Power is exposed to foreign exchange risk when its purchases of fuel and power in US dollars exceeds revenue received in US dollars.</p> <p>There was significant volatility in the Canadian dollar during the past year. The value of the Canadian dollar compared to the US dollar fluctuated from 1.00 in May 2008 to 0.77 in March 2009. The volatility was especially prevalent in the fall of 2008.</p> <p>NB Power enters into purchase contracts 18 months forward for US dollar requirements net of expected US dollar revenue.</p>
Coal based generation	<p>Represents</p> <ul style="list-style-type: none"> • approximately 20 to 25 per cent of total supply, and • 15 to 20 per cent of the fuel and purchased power costs. This has increased significantly over the previous year. <p>Coal is purchased through tendered contracts of one to two year terms.</p>
Purchased power contracts based on natural gas	<p>Represents</p> <ul style="list-style-type: none"> • approximately 5 to 10 per cent of total supply, but • approximately 15 to 20 per cent of the total fuel and purchased power costs. <p>As a portion of the price of NB Power's purchase power contracts is based on natural gas prices, to manage this exposure the Group enters into purchase contracts 18 months forward.</p>

Factor (continued)	Description (continued)						
Short-term energy purchases	<p>Represent</p> <ul style="list-style-type: none"> • approximately 20 to 25 per cent of total supply requirements, and • approximately 35 to 40 per cent of total fuel and purchased power costs. <p>Depending on world oil prices, lower cost energy is purchased to displace internal oil-fired generation. NB Power enters into purchase contracts for energy up to 18 months forward to supply forecasted requirements.</p>						
Out-of-province margins	<p>The Group is a price-taker in regional energy markets. In the normal course of business,</p> <ul style="list-style-type: none"> • lower cost energy is directed to in-province use, and • higher cost energy, that is often heavy fuel oil based and only competitive if its marginal cost is lower than available market prices, is available for out-of-province sales. <p>Market prices are driven by the cost of natural gas generation. NB Power sells more or less generation out-of-province based on the relationship between</p> <ul style="list-style-type: none"> • world prices for natural gas, and • world prices for heavy fuel oil. <p>The Group fixes margins by selling forward when not constrained by operating conditions.</p>						
Hydro based generation	<p>Represents NB Power's lowest-cost fuel for generating electricity. It typically accounts for 15 to 20 per cent of total production. The table below describes how hydro flows can increase or decrease generation costs.</p> <table> <tr> <th>If hydro flows are</th><th>then NB Power</th></tr> <tr> <td><i>below anticipated levels</i></td><td><i>uses other more expensive fuel to make up the shortfall and increases its generation costs.</i></td></tr> <tr> <td><i>higher than anticipated</i></td><td><i>reduces the use of expensive fuels and decreases its generation costs.</i></td></tr> </table> <p>Hydro net generation as a percentage of long-term average over the past ten years has ranged from 70 per cent to 120 per cent of the long-term average.</p>	If hydro flows are	then NB Power	<i>below anticipated levels</i>	<i>uses other more expensive fuel to make up the shortfall and increases its generation costs.</i>	<i>higher than anticipated</i>	<i>reduces the use of expensive fuels and decreases its generation costs.</i>
If hydro flows are	then NB Power						
<i>below anticipated levels</i>	<i>uses other more expensive fuel to make up the shortfall and increases its generation costs.</i>						
<i>higher than anticipated</i>	<i>reduces the use of expensive fuels and decreases its generation costs.</i>						
Nuclear based generation	<p>In previous years, nuclear generation represented up to 25 per cent of total production through the Point Lepreau Generating Station, of which effective operation is essential for NB Power's positive financial performance.</p> <p>On March 28, 2008, Point Lepreau Generating Station began an 18-month refurbishment outage. There was no production from nuclear generation in 2008/09.</p> <p>The additional costs to supply energy and the period costs incurred during the outage are charged to a deferral account (see regulatory deferral section for more details).</p>						

Measuring financial and operating performance factors

The table below provides explanations of the factors behind NB Power's variability in earnings. The indicative prices quoted in the table below are un-hedged prices.

Financial and Operating Factors behind Variability	2008/09	2007/08	2006/07
Range of heavy fuel oil prices (\$US / bbl Platt's NY 3 per cent) throughout the year <i>Platt's NY 3 per cent is a fuel price index benchmark reported by the dominant price benchmark reporting service Platt's NY 3 per cent refers to the sulphur level of heavy fuel oil against which NB Power benchmarks.</i>	\$27 - \$112	\$42 - \$75	\$34 - \$52
Range of Canadian dollar throughout the year (\$US equivalent) <i>Exchange Rate: the rate at which one currency may be converted into another.</i>	\$0.77 - \$1.02	\$0.86 - \$1.09	\$0.84 - \$0.91
Average International Coal Report coal market price (\$US / ton) <i>International Coal Report provides news and analysis on the international steam coal and coking coal markets, including evaluations of the major markets and benchmark price assessments for coal trading in the Atlantic and Pacific markets. The report covers data on shipping movements, tenders and contracts, and assesses spot prices for key benchmark prices for physical coal in both the Atlantic and Pacific markets for forward-month delivery.</i>	\$117.94	\$96.12	\$60.27
Range of natural gas prices (\$US / mmbtu) throughout the year <i>mmbtu = 1 million British Thermal Units</i>	\$3.60 - \$13.60	\$5.40 - \$10.20	\$4.20 - \$8.90
Average New England on-peak prices (\$US / MWh) <i>"On Peak Price" reflects the price of electricity when demand for electricity is highest.</i>	\$81.91	\$75.77	\$66.91
Hydro net generation as a percentage of long-term average <i>Net generation is the amount of electricity generated by a power plant that is transmitted and distributed for consumer use and is the result of gross generation less the electric energy consumed at the generating station for station use.</i> <i>Long-term average hydro energy is the amount of energy that can potentially be produced using the average river flow, based on the period of record (the period of record for NB Power is 1954-1994)</i>	117%	104%	117%
Point Lepreau Generating Station net capacity factor <i>Capacity factor of a power plant is the ratio of the actual output of a power plant over a period of time and its output if it had operated at full capacity the entire time.</i>	-	72.8%*	78.2%*

*Revised February 16, 2010.

Introduction

This provides an overview of NB Power Group's financial performance for the year.

FINANCIAL PERFORMANCE

Significance

This demonstrates how effectively the NB Power Group is adhering to its mandate of serving electricity to New Brunswickers while sustaining modest earnings.

Key measures of financial performance

Financial Performance (in millions)	2008/09	2007/08	2006/07
Net earnings	\$70	\$89	\$21
Cash flow from operations	\$273	\$316	\$238
Capital expenditures	\$438	\$409	\$287
Increase in debt	\$479	\$230	\$84
Expenditures (revenue) deferred for regulatory purposes	\$386	\$(73)	-

Financial ratios and percentages

Financial Ratios and Percentages	2008/09	2007/08	2006/07
Operating margin	15%	17%	13%
Operating cash flow / capital expenditures	0.62	0.77	0.83
Operating cash flow / total debt	0.07	0.09	0.07
Capital expenditures / Net book value of property, plant and equipment	12%	12%	8%
Per cent of debt in capital structure	93%	91%	93%
Interest coverage ratio ¹	1.28	1.60	1.03

¹Interest coverage ratio is defined as adjusted finance charges (finance charges net of interest income, realized foreign exchange, debt portfolio management fee, interest during construction, debenture discount amortization and deferred interest amortization) divided by the adjusted earnings before interest and taxes (earnings before interest and taxes net of debt portfolio management fee and investment income). This formula was deemed appropriate by the New Brunswick Energy and Utilities Board (EUB).

During 2008/09 the NB Power Group

- generated net earnings of \$70 million compared to \$89 million in 2007/08
- generated earning before special payments in lieu of income taxes of \$104 million compared to \$138 million in 2007/08
- achieved an operating margin of 15 per cent compared to 17 per cent in 2007/08
- implemented an average 3.0 per cent rate increase on April 1, 2008, resulting in an additional \$37 million in revenue
- achieved thermal generating station equivalent availability of 87 percent compared to 81 per cent in 2007/08 despite challenges of several forced outages at thermal generating stations
- incurred 17 per cent above long-term average for hydro generation compared to 4 per cent in 2007/08
- invested \$265 million on the Point Lepreau Generating Station refurbishment project
- deferred \$234 million of costs relating to the refurbishment of the Point Lepreau Generating Station which will be amortized over the life of the refurbished generating station (in accordance with the enacted legislation)
- experienced reduced load due to large industrial closures
- suffered damages to the Grand Falls Generating Station and related transmission assets as a result of a flood in spring 2008
- managed financial risk and market volatility through its hedging program
- received deliveries of fuel related to the PDVSA lawsuit settlement.

Significant factors contributing to change in year-over-year earnings

A decrease in gross margin of \$55 million was a significant factor contributing to the change in year-over-year earnings before special payment in lieu of income taxes. The main factors that contributed to the decrease in gross margin were

- lower in-province revenue due to lower load as a result of closure of major industrial customers, and warmer weather
- higher prices of generation and purchased power
- lower out-of-province revenue due to lower volumes

offset by

- higher hydro flows in 2008/09 at 117 per cent of the long-term average compared to 104 per cent of the long-term average in 2007/08
- higher in-province rates due to the implementation of an approved 3.0 per cent average rate and higher average export prices

Other significant factors that contributed to the decrease in year-over-year earnings before special payments in lieu of taxes were

- 2007/08 revenue included a lawsuit settlement with PDVSA of \$29 million
- increased operations maintenance and administration expense in 2008/09 (see operating results – expense section for more detail)

These factors were partially offset by lower amortization expense and lower finance charges.

Change in cash flow

Cash flow from operations in 2008/09 decreased by \$43 million to \$273 million. This resulted from a decrease in net earnings and a decrease in amortization.

Change in debt level

The NB Power Group's debt increased by \$479 million in 2008/09. The increase in debt was due to financing requirements for the Point Lepreau Refurbishment project and related deferral.

Significant Events

These significant events impacted the NB Power Group's financial results.

Point Lepreau Generating Station Refurbishment Project

In July 2005 the Province of New Brunswick announced its decision to support the Board's recommendation to refurbish the Point Lepreau Generating Station in partnership with Atomic Energy of Canada Limited (AECL). The refurbishment will extend the Station's life to 2034, providing the NB Power Group with electricity from a fuel source that is not subject to the volatility of heavy fuel-oil pricing. The refurbished Station will also continue to provide an environmental benefit by generating electricity that avoids significant carbon dioxide, sulphur dioxide and nitrogen oxide emissions.

Total project spending to March 31, 2009 was \$806 million. During the year the following milestones were met

- station shutdown and defueling the reactor core by removing all 4,560 fuel bundles from the 380 channels
- turned over the fueling machine vaults, or retube work areas to AECL
- completed feeder tube removal, end fitting removal, and pressure tube removal (this was completed in April 2009)

At March 31, 2009 the project was five months behind schedule as AECL had experienced difficulties with the tooling which led to pressures on the overall timetable for project completion. Station restart is expected by the spring of 2010.

Financial Implications of Delay

Refurbishment of the Point Lepreau Generating Station is largely a turnkey project and, as such, construction cost overruns are the responsibility of the contractor – AECL. There are, however, some financial implications for NB Power, as project owner.

The cash flow implications are as follows

- Nuclearco will spend approximately \$4 million per month in increased project owner costs for facilities, contracted staff, insurance and other costs to support the project
- Disco will spend approximately \$16 million per month in increased replacement power costs while the plant is out of service
- accordingly, each month's delay in the project increases the cash cost of the project by approximately \$20 million.

These will be accounted for as follows

- The capital cost of the project will increase by approximately \$10 million per month of project delay. This consists of
 - \$4 million in increased project owner costs for facilities, contracted staff, insurance and other costs to support the project
 - \$6 million of costs reallocated from operations to the project
- The deferral of Nuclearco period and replacement power costs will increase by approximately \$24 million per month (including incremental cash flows identified above) this consists of
 - \$16 million in increased replacement power costs while the plant is out of service
 - \$8 million in additional Nuclearco period costs reallocated from operations to the deferral

These costs will be amortized and charged to customers over the extended life of the station. (Some portion of these costs may potentially be offset by liquidated damages under the contract with AECL.)

Turbine Upgrade

In October 2008, three new low pressure turbine rotors arrived at the Port of Saint John. While loading onto a barge in preparation for transport to Point Lepreau Generating Station, an incident occurred when two turbine rotors toppled into the water. Fortunately, there were no workers injured. The two recovered turbine rotors were thoroughly examined and tested at the Siemens factory in the United Kingdom. The evaluations were reviewed and accepted by NB Power and an independent consultant. As a result, the decision to move forward with the installation of the recovered turbine rotors was made. They are scheduled to return to the Station in summer 2009, with no impact on the overall project schedule.

Grand Falls Generating Station Flood

During the year, NB Power incurred flood damages to the Grand Falls Generating Station and related transmission assets. In bringing these assets back to service NB Power incurred total costs of \$26 million of which a portion was recovered through insurance proceeds.

The following is a breakdown of the costs

- \$9 million related to repairs and maintenance included in OM&A
- \$17 million related to replacement and betterment included in capital

NB Power has claimed and received \$11 million which represents the costs covered by the insurance policy during 2008/09 and has claimed and will receive \$2.5 million from the insurance company in 2009/10.

If there had not had been an outage at Grand Falls Generating Station, hydro generation would have been 25 per cent above the long term average rather than 17 per cent.

Thermal Generating Station Forced Outages

During the year there were unplanned generation outages as follows

- Belledune Generating Station experienced
 - an outage 18 days longer than scheduled due to a cracked hot reheat pipe bend.
 - a five day forced outage in September due to an economizer tube leak
 - a three day outage in November due to a suspected boiler leak and to repair a leak on a steam line drain
 - a two day outage in February to repair a boiler water wall leak.
- Dalhousie Generating Station Unit 2 experienced an 11 day forced outage in July due to a boiler tube leak and was offline for 11 days in March to carry out boiler duct work and fan repairs. Unit 1 was offline for nine days in the fourth quarter (five days in February to repair boiler tube leaks and four days in March to repair duct work).
- Coleson Cove Generating Station experienced a five day extension to a planned outage due to a waterwall leak and a boiler tube leak.

Despite these challenges thermal equivalent availability for the year was 87 per cent.

US Markets

In the fall of 2008, NB Power received approvals from a number of US agencies that allow it to transact business in the US without the use of a third party. Since December 2008, NB Power has been buying and selling energy with the Independent System Operator – New England without using an intermediary. The benefits realized in the first two months have paid for all costs incurred to obtain these approvals. NB Power expects future benefits to be considerable, particularly after Point Lepreau Generating Station returns to service.

PDVSA Lawsuit Settlement

Throughout the year shipments of fuel were received related to the lawsuit settlement with PDVSA.

Industrial Customers

NB Power's load decreased during the year due to large industrial shut-downs. NB Power continues to work with industrial customers who are experiencing difficulty in order to collect amounts owing to NB Power. The impact on bad debt expense from large industrial customers is estimated to be \$2 million.

Rate Increase

On April 1, 2008, the NB Power Group implemented a three per cent average rate increase across all customer groups, which resulted in a \$37 million increase in revenue. During the year a rate review was conducted by the Energy and Utilities Board (EUB). The EUB released a report to the Minister of Energy, which caused no changes in the rate increase.

Introduction

This provides an overview of NB Power's revenues for the year, and compares them with previous years.

OPERATING RESULTS 2008/09 - REVENUES

Revenue Overview

Revenue Overview (in millions)	2008/09	2007/08	2006/07
Sales of power			
In-province	\$1,219	\$1,237	\$1,146
Out-of-province	217	196	215
Miscellaneous	73	99	67
Transmission	89	87	84
Total revenues	\$1,598	\$1,619	\$1,512
Per cent increase (decrease) year-over-year	(1%)	7%	(5%)

In-province sales of power

In-province sales of power (in millions)	2008/09	2007/08	2006/07
Residential	\$539	\$519	\$470
Industrial	307	362	350
General service	250	248	225
Wholesale	98	94	87
Street lights and energy imbalance	25	14	14
Total	\$1,219	\$1,237	\$1,146
Per cent increase (decrease) year-over-year	(1%)	8%	9%
GWh	13,052	14,250	14,342
Per cent increase (decrease) year-over-year	(8%)	(1%)	3%

Major contributors to year-over-year in-province sales variance

In-province sales of power totaled \$1,219 million in 2008/09, representing \$18 million or one per cent decrease compared to 2007/08. The main contributors to the year-over-year variance were as follows

Revenues	By this amount	Due to
<i>Contributing factors</i>		
decreased	\$43 million	lower load mainly due to industrial shutdowns
	\$30 million	lower interruptible sales because of volume and price. The volume was lower mainly because two customers switched a portion of their interruptible load to firm supply on April 1, 2008. The price was lower due to lower supply cost.
<i>Offsetting factors</i>		
increased	\$49 million	a three per cent average rate increase implemented on April 1, 2008, and higher industrial unit rates

Out-of-province sales of power

Out-of-province sales of power (in millions)	2008/09	2007/08	2006/07
Revenue	\$217	\$196	\$215
Per cent increase (decrease)	11%	(9%)	(43%)
GWh	1,891	2,327	2,815
Per cent increase (decrease) year-over-year	(19%)	(17%)	(40%)

Major contributors to year-over-year out-of-province sales variance

In 2008/09, out-of-province sales of power increased by \$21 million or 11 per cent compared to 2007/08. The main contributors to the year-over-year variance were:

Revenues	By this amount	Due to
<i>Contributing factors</i>		
<i>increased</i>	\$40 million	higher average prices for export energy due to market conditions
<i>Offsetting factors</i>		
<i>decreased</i>	\$17 million	decreased volumes due to reduction of lower cost energy available for export mainly due to Lepreau refurbishment outage

Miscellaneous Revenue

Normally miscellaneous revenue consists primarily of

- water heater rentals
- pole attachment fees
- the sale of steam and generation by-products, and
- fees for secondment services provided to the New Brunswick System Operator (System Operator).

Miscellaneous revenue results

Miscellaneous revenue was \$73 million in 2008/09, a decrease of \$26 million compared to 2007/08. This decrease was mainly due to \$29 million of the PDVSA lawsuit settlement included in 2007/08 which was applied to a prior year write-off related to the Coleson Cove Generating Station fuel delivery system.

Transmission Revenue

Transmission revenue

- represents recoveries from the System Operator for the transmission revenue requirement
- includes revenue generated from the International Power Line, and
- is largely offset by transmission expenses paid to the System Operator for
 - connection fees
 - point-to-point tariff, and
 - scheduling services.

Introduction

This provides an overview of NB Power's expenses for the year, and compares them with previous years.

OPERATING RESULTS 2008/09 - EXPENSES

Expenses overview

Expenses (in millions)	2008/09		2007/08		2006/07	
	\$	%	\$	%	\$	%
Fuel and purchased power ²	\$869	49%	\$585	38%	\$560	38%
Operations, maintenance & administration	415	23	397	26	389	26
Amortization and decommissioning	186	11	216	14	220	15
Transmission	82	5	85	5	85	6
Taxes	43	2	43	3	49	3
Finance charges	140	8	175	11	180	12
Special payments in lieu of income taxes	34	2	49	3	8	0
Total	\$1,769	100%	\$1,550	100%	\$1,491	100%
Per cent increase year-over-year		14%		4%		0%

²The regulatory deferral for the costs associated with Point Lepreau refurbishment outage has not been netted from the fuel and purchased power costs (see the regulatory deferral section for more details).

Major contributors to year-over-year expense variance

Total expenses increased by \$219 million to \$1,769 million in 2008/09. This increase resulted mainly from the following factors:

Expense	Change	Explanation
Contributing factors		
<i>fuel and purchased power</i>	Increased by \$284 million	<ul style="list-style-type: none"> increased prices for fuel and purchased power no nuclear generation in 2008/09, resulting in additional costs for replacement energy partially offset by lower load requirements, and higher hydro availability
<i>operations, maintenance and administration</i>	Increased by \$18 million	<ul style="list-style-type: none"> net increased labour expense increased pension expense higher costs associated with Nuclearco OM&A projects
Offsetting factors		
<i>amortization and decommissioning</i>	decreased by \$30 million	<ul style="list-style-type: none"> reduced Nuclearco amortization resulting from the service life completion (fully amortized) of major components being refurbished at the Point Lepreau Generating Station reduced asset cost base as a result of the lawsuit settlement with PDVSA
<i>finance charges</i>	decreased by \$35 million	<ul style="list-style-type: none"> lower interest rates and reduced debt levels³ foreign exchange gains on exposure not subject to forward purchasing related mainly to short-term debt and payable transactions during a period of high variability
<i>special payments in lieu of income taxes</i>	decreased by \$15 million	<ul style="list-style-type: none"> lower year-over-year earnings.

³ Although debt has actually increased since March 2008, the increase is related to capital projects in progress and the deferral. Total debt other than debt associated with capital projects in progress and the deferral has been reduced since March 2008 mainly due to positive net earnings.

Fuel and Purchased Power

Fuel and Purchased Power (in millions)	2008/09		2007/08		2006/07	
	\$	%	\$	%	\$	%
Hydro	0	0	0	0	0	0
Nuclear	0	0	18	3	12	2
Thermal	380	44	230	40	297	53
Purchases	489	56	337	57	251	45
Total	\$869	100%	\$585	100%	\$560	100%
Per cent increase year-over-year		48%		4%		9%

Major contributors to year-over-year fuel expense variance

The cost of fuel and purchased power was \$869 million in 2008/09, an increase of \$284 million or 49 per cent from 2007/08.

The year-over-year increase in fuel and purchased power costs was mainly attributable to

Fuel and purchased power expenses	By this amount	Due to
<i>Contributing factors</i>		
increased	\$254 million ⁴	generation and purchased power mix variances due to <ul style="list-style-type: none"> • no nuclear generation due to the Point Lepreau Refurbishment outage • forced outages at Belledune, Dalhousie, and Coleson Cove Generating Stations
increased	\$151 million	higher overall fuel and purchased power prices
<i>Offsetting factors</i>		
decreased	\$28 million	increased hydro flows to 117 per cent of the long-term average in 2008/09 compared to 104 per cent in 2007/08.
decreased	\$109 million	reduced load requirements due to industrial shut-downs and reduced out-of-province sales.

⁴Most of this amount is offset through the Point Lepreau regulatory deferral (see regulatory deferrals section).

Operations, Maintenance and Administration

The table below shows the operations, maintenance and administration expenses compared with previous years.

Operations, Maintenance & Administration (in millions)	2008/09	2007/08	2006/07
Operations, Maintenance & Administration expenses	\$415	\$397	\$389
Per cent increase year-over-year	5%	2%	4%

Major contributors to year-over-year Operations, Maintenance and Administration variance

Operations, maintenance and administration costs were \$415 million in 2008/09, an \$18 million or five per cent increase compared to 2007/08. The significant changes were

Operations, maintenance and administration expenses	By this amount	Due to
<i>Contributing factors</i>		
increased	\$12 million	increased labor as a result of annual scale escalations
increased	\$8 million	higher pension interest and amortization expense due to lower expected return on plan assets in 2007/08
increased	\$9 million	OM&A projects scheduled during the Point Lepreau Generating Station refurbishment outage. The reactor shut-down provided an opportunity to perform OM&A work in areas that are inaccessible when the reactor is running
<i>Offsetting factors</i>		
decreased	\$16 million	resources that would normally perform OM&A work (last year preparing the thermal and nuclear stations for the refurbishment outage) were reallocated to the Point Lepreau Refurbishment project (capital)

Amortization and Decommissioning

Amortization and Decommissioning (in millions)	2008/09	2007/08	2006/07
Amortization and decommissioning	\$186	\$216	\$220
Per cent increase (decrease) year-over-year	(14%)	(2%)	2%

Contributing factors to changes in Amortization and Decommissioning

Amortization and decommissioning costs were \$186 million in 2008/09, a \$30 million decrease mainly due to

Amortization and decommissioning expenses	By this amount	Due to
Contributing factors		
decreased	\$4 million	a reduction in the net book value of the Coleson Cove Generating Station resulting from the lawsuit settlement with PDVSA The reduced amortization associated with the lawsuit settlement with PDVSA was offset through the regulatory deferral with no impact on net earnings (refer to section Impact of Lawsuit Settlement with PDVSA and Regulatory Deferral on Earnings)
decreased	\$26 million	reduced Nulcearco amortization resulting from the service life completion (fully amortized) of major components being refurbished at the Point Lepreau Generating Station
increased	\$2 million	increased amortization as a result of asset life changes resulting from an amortization study

Finance charges

Finance Charges (in millions)	2008/09	2007/08	2006/07
Finance charges	\$140	\$175	\$180
Per cent increase (decrease) year-over-year	(20%)	(3%)	(10%)

Contributing factors to changes in finance charges

Finance charges were \$140 million in 2008/09, a \$35 million or twenty per cent decrease from 2007/08. This was mainly due to

Finance charges	By this amount	Due to
<i>Contributing factors</i>		
<i>decreased</i>	\$12 million	improved rates on debt refinancing and reduced debt levels ⁵
<i>decreased</i>	\$17 million	foreign exchange gains on exposure not subject to forward purchasing primarily related to short-term debt and payable transactions during a period of high variability

Special payments in lieu of income taxes

The NB Power Group made special payments in lieu of income taxes to Electric Finance. These payments consist of an income tax component based on accounting net earnings multiplied by a rate of 32.38 per cent. Special payments are as follows:

Special Payments in Lieu of Income Taxes (in millions)	2008/09	2007/08	2006/07
<i>Special payments in lieu of income taxes</i>	\$34	\$49	\$8
<i>Per cent increase (decrease) year-over-year</i>	(31%)	513%	(86%)

Contributing factors to changes in special payments in lieu of taxes

Special payments in lieu of income taxes were \$34 million in 2008/09, a \$15 million decrease compared to 2007/08. This decrease was mainly due to lower earnings in 2008/09.

⁵Although debt has actually increased since March 2008, the increase is related to capital projects in progress and the deferral. Total debt other than debt associated with capital projects in progress and the deferral has been reduced since March 2008 mainly due to positive earnings.

Regulatory Deferrals

Regulatory Deferral – Point Lepreau Generating Station refurbishment

Background

A regulatory deferral was created for costs incurred during the refurbishment of the Nuclear Generating Station. The refurbishment of the Nuclear Generating Station will enable electricity to be provided to future generations of customers. The deferral and amortization of these costs over the life of the Station provides for inter-generational equity. Legislation was proclaimed (section 143.1 of the Electricity Act) which provides for the establishment of this regulatory deferral related to the refurbishment of the Point Lepreau Generating Station. The deferral consists of

- the period costs of Nuclearco, net of any revenues, and
- the additional costs to supply energy that are charged to Disco by Genco during the period of refurbishment.

These amounts are to be recovered by Disco over the operating life of the refurbished Point Lepreau Generating Station and are to be reflected in the charges, rates and tolls Disco charges its customers.

Impact on earnings before special payments in lieu of taxes

During 2008/09 \$234 million in period costs and additional costs to supply energy were deferred.

The deferral adjustment consisted of

- period costs - \$176 million
- additional cost to supply energy - \$58 million

In addition to the deferral adjustment on the statement of earnings, interest expense associated with the refurbishment of \$4 million was deferred, which directly reduced finance charges.

Regulatory Deferral – Lawsuit settlement with PDVSA

Background

On August 23, 2007 the Energy and Utilities Board (EUB) approved a regulatory deferral for the purpose of returning the benefit of the lawsuit settlement with PDVSA to customers in a levelized manner. The deferral is being allocated to customers over 17 years in order to best match the benefit to the customers that will pay for the Coleson Cove Generating Station refurbishment.

Impact on earnings before special payments in lieu of taxes

During 2008/09 \$152 million in cost savings from the lawsuit settlement offset by a mark-to-market accounting adjustment were deferred. The deferral adjustment consisted of

- amortization and interest savings resulting from the lawsuit settlement (these will increase as the fuel value of the settlement is received) - \$18 million
- offset by
- cost adjustment on shipments received - \$10 million
 - levelized benefit to customers - \$25 million
 - an accounting adjustment related to the mark-to-market losses related to the long-term fuel contract (these mark-to-market adjustments are temporary and will reverse when the fuel shipments have been received) - \$135 million

Financial Instruments

Summary of impacts of financial instruments

The following table summarizes the impact of the financial instruments recorded on the balance sheet at March 31, 2009. These include

- the fair value of the derivative instruments in hedging relationships
- the accrued settlement value on the derivatives no longer qualifying for hedge accounting, and
- the market value change on the long-term receivable and Nuclear trust funds

	Nuclear Trust Funds	Long term receivable PDVSA	Foreign Exchange	Heavy Fuel Oil	Natural Gas	Freight	Electricity Sale	Electricity Purchase	Interest Rates	Total
Accrued settlement value on de-designated forward contracts ⁶	-	-	8	1	-	-	7	(8)	-	8
Mark-to-market on long-term receivable - PDVSA ⁷	-	(14)	-	-	-	-	-	-	-	(14)
Current portion of derivative assets	-	-	82	-	-	-	-	-	-	82
Long-term portion of derivative assets	-	-	2	-	-	-	-	-	-	2
Mark-to-market on Nuclear Funds (Note 16)	15	-	-	-	-	-	-	-	-	15
Current portion of derivative liabilities	-	-	-	(40)	(76)	(28)	-	(23)	(43)	(210)
Long-term portion of derivative liabilities	-	-	-	-	(2)	-	-	(5)	-	(7)
Assets (liabilities)	15	(14)	92	(39)	(78)	(28)	7	(36)	(43)	(124)

⁶Included in account receivable and/or accounts payable

⁷Included in long-term receivable, loss is offset by a regulatory deferral.

The impact of the financial instruments at March 31, 2009 resulted in a net liability position of \$124 million (see previous table).

Of the \$124 million recognized on the balance sheet

- \$34 million is recognized in retained earnings
- \$90 million (\$61 million after tax) is recognized in accumulated other comprehensive income (AOCI)

A reconciliation of these amounts is summarized in the following tables

Retained earnings impact	Nuclear Trust Funds	Long term receivable PDVSA ^a	Foreign Exchange	Heavy Fuel Oil	Natural Gas	Freight ^a	Electricity Sale	Electricity Purchase	Interest Rates	Total
Balance - April 1, 2008	-	89	(2)	30	-	3	(3)	1	-	118
Current year adjustments										
Change in value of derivatives not subject to hedge accounting	-	-	-	-	-	-	10	-	-	10
Mark-to-market of lawsuit settlement and related contracts	-	(103)	-	-	-	(32)	-	-	-	(135)
De-designated hedge adjustments - 2008/09	-	-	16	13	-	1	-	(17)	-	13
Reversal of de-designated hedge adjustments	-	-	(6)	(42)	-	-	-	8	-	(40)
	-	(103)	10	(29)	-	(31)	10	(9)	-	(152)
Balance - March 31, 2009	-	(14)	8	1	-	(28)	7	(8)	-	(34)

^aThe earnings impact of the mark-to-market of the long-term receivable and freight contracts related to PDVSA lawsuit settlement shipments are fully offset through a regulatory deferral.

AOCI Impact	Nuclear Trust Funds	Long term receivable PDVSA	Foreign Exchange	Heavy Fuel Oil	Natural Gas	Freight	Electricity Sale	Electricity Purchase	Interest Rates	Total
Accumulated other comprehensive income (loss) - April 1, 2008	32	-	(15)	21	20	10	-	10	(14)	64
2008/09 impact of mark-to-market adjustments	(17)	-	99	(61)	(98)	(10)	-	(38)	(29)	(154)
	15	-	84	(40)	(78)	-	-	(28)	(43)	(90)
Future special payments in lieu of income taxes reflected in accumulated other comprehensive income	(5)	-	(27)	13	25	-	-	9	14	29
Accumulated other comprehensive income (loss) - March 31, 2008	10	-	57	(27)	(53)	-	-	(19)	(29)	(61)

Introduction

This provides an overview of NB Power's liquidity and capital resources.

LIQUIDITY AND CAPITAL RESOURCES

Capital expenditures

Capital Expenditures (in millions)	2008/09	2007/08	2006/07
<i>Major project capital expenditures</i>	\$289	\$262	\$182
<i>Regular project capital expenditures</i>	\$163	\$153	110
<i>Customer contributions and proceeds on disposal</i>	\$(14)	\$(6)	\$(5)
<i>Total capital expenditures</i>	\$438	\$409	\$287

Contributing factors to changes in capital expenditures

Capital expenditures, net of proceeds on disposal and customer contributions, were \$438 million in 2008/09. This \$29 million or seven per cent increase compared to 2007/08 resulted primarily from the following

Capital expenditures	By this amount	Due to
<i>Contributing factors</i>		
<i>increased</i>	\$70 million	Point Lepreau Generating Station refurbishment project spending
<i>increased</i>	\$6 million	spending on the turbine upgrade project at Point Lepreau Generating Station
<i>Offsetting factors</i>		
<i>decreased</i>	\$37 million	2007/08 purchase of Nepisiguit Hydro Generating Station
<i>decreased</i>	\$12 million	completion of the International Power Line project

Cash flow from operations

Cash Flow from Operations (in millions)	2008/09	2007/08	2006/07
Cash flow from operations	\$273	\$316	\$238
Percentage increase (decrease) year-over-year	(14%)	33%	(25%)

Contributing factors to changes in Cash flow from operations

Cash flow from operations in 2008/09 decreased by \$43 million to \$273 million. This decrease resulted from the following

Cash flow from operations	amount	explanation
<i>Contributing factors</i>		
decreased	\$19 million	decrease in net earnings
decreased	\$24 million	decrease in amounts charged to operations not requiring a current cash payment (mostly amortization)

Change in total debt level

Reduction (Increase) in Net Debt (in millions)	2008/09	2007/08	2006/07
Cash flow from operations	\$273	\$316	\$238
Capital expenditures	(438)	(409)	(287)
Recovery of capital (related to PDVSA fuel shipments received)	57	86	-
Decrease (increase) in working capital	(60)	(80)	13
Nuclear decommissioning and used fuel management funds - installments and earnings	(35)	(141)	(13)
Decommissioning expenditures	(2)	(1)	-
Regulatory deferrals excluding mark-to-market adjustments	(255)	(20)	(3)
Free cash outflow	\$(460)	\$(249)	\$(52)
Dividends paid	(13)	(11)	(13)
Change in cash	(6)	30	(9)
Increase in total debt	\$(479)	\$(230)	\$(74)

Contributing factors to changes in total debt

Free cash outflow was \$460 million in 2008/09, an increase of \$211 million compared to 2007/08. The primary reasons for the increase were

Increased cash outflow	Due to
Contributing factors	
Decreased cash flow from operations	<ul style="list-style-type: none"> • lower earnings • decrease in amounts not requiring a cash payment (mostly amortization)
increased capital spending	<ul style="list-style-type: none"> • the Point Lepreau Generating Station refurbishment project, • Point Lepreau Generating Station turbine upgrade project
Increased regulatory deferrals (excluding mark-to-market adjustment)	<ul style="list-style-type: none"> • net change in regulatory deferrals related to the Point Lepreau Generating Station refurbishment project and the PDVSA lawsuit settlement
Offsetting factors	
Nuclear decommissioning and used fuel management funds	<ul style="list-style-type: none"> • higher earnings and installments in 2007/08

Total Debt

Total Debt (in millions)	2008/09	2007/08	2006/07
Long-term debt	\$3,464	\$3,162	\$3,205
Short-term indebtedness	450	273	0
Total debt	3,914	3,435	\$3,205
Debt/capital	93%	91%	93%
Cash flow from operations/total debt	0.07	0.09	0.07

Year-over-year change to total debt level

Total debt increased by \$479 million in 2008/09 compared to a \$230 million increase in 2007/08 mainly due to

- debt issues associated with the Point Lepreau Generating Station refurbishment project and the deferral.

The level of short-term borrowings fluctuates depending on the timing of debt maturities and capital investment requirements. Since restructuring on October 1, 2004 the Group issues long- and short-term notes to Electric Finance. Under the authority of the Electricity Act, Electric Finance issues debt in the name of the Province of New Brunswick.

Introduction

This provides an overview of NB Power's accounting policies that have changed.

CRITICAL ACCOUNTING POLICIES

Topic	Purpose
Change in Accounting Policies for fiscal 2009	<p>The table below outlines accounting policy changes adopted by the NB Power Group during the past fiscal year regarding</p> <ul style="list-style-type: none"> • Inventories • Financial Instruments – Disclosure and Presentation • Capital Disclosures, and • Credit Risk and the Fair Value of Financial Assets and Liabilities.
Future change: International Financial Reporting Standards (IFRS)	Describes future changes required by the Corporation related to adopting IFRS.
Future change: Rate Regulated Operations	Describes future changes required by the Corporation related to CICA Handbook amendments on rate regulated operations.

Change in Accounting Policies for fiscal 2009

Canadian Institute of Chartered Accountants (CICA) Handbook Section change adopted by the Group	Requirements of the section on the NB Power Group	Effect on 2009 reported results
Inventories		
<p>Implemented April 1, 2008:</p> <ul style="list-style-type: none"> Section 3031, Inventories. <p><i>Replaced</i></p> <ul style="list-style-type: none"> Section 3030, Inventories. <p>NOTE: Refer to note 5 in the combined financial statements.</p>	<p>This Section describes the</p> <ul style="list-style-type: none"> recognition measurement reporting, and disclosure recommendations with respect to inventory. <p>This Section</p> <ul style="list-style-type: none"> requires inventories to be measured at the lower of cost or net realizable value no longer permits the last-in first-out (LIFO) measurement methodology; and requires the reversal of previous inventory write-downs to net realizable value where necessary. capitalizes inventory that meets the definition of major spare parts. 	<p>These were applied retrospectively with prior year restatement.</p> <p>As at April 1, 2008 \$8 million (April 1, 2007 - \$8 million) were reclassified to capital assets on the balance sheet as they</p> <ul style="list-style-type: none"> met the definition of a spare part will be used over more than one period and, will only be used in connection with capital assets.
Financial Instruments - Disclosure and Presentation		
<p>Implemented April 1, 2008:</p> <p>Sections</p> <ul style="list-style-type: none"> 3862, Financial Instruments - Disclosures, and 3863, Financial Instruments - Presentation <p><i>Replaced</i></p> <ul style="list-style-type: none"> Section 3861, Financial Instruments - Disclosure and Presentation. <p>Refer to notes, 5 and 27 in the combined financial statements.</p>	<p>These Sections describe reporting and disclosure guidelines with respect to financial instruments.</p> <p>They require the Corporation to disclose quantitative and qualitative information in order for the readers to understand the nature, and extent of risks associated with the Corporation's financial instruments.</p>	<p>Additional disclosure was added.</p>
Capital Disclosures		
<p>Implemented April 1, 2008:</p> <p>Section 1535, <i>Capital Disclosures</i>.</p> <p>Refer to notes 5 and 13 in the combined financial statements.</p>	<p>This Section requires the Corporation to disclose quantitative and qualitative information regarding objective policies and processes for managing capital.</p>	<p>Additional disclosure was added.</p>
Credit Risk and the Fair Value of Financial Assets and Liabilities		
<p>Implemented January 20, 2009:</p> <p>EIC 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities.</p> <p>Refer to notes 5 and 27 in the combined financial statements.</p>	<p>This EIC requires that the fair value of financial instruments, including derivative financial instruments, takes into account the counterparties' credit risks for assets and the Corporation's credit risk for liabilities.</p>	<p>The effects on the Corporation's financial results were immaterial in 2008/09.</p>

Future Change International Financial Reporting Standards (IFRS)

Background

The table below describes the background behind adoption of the IFRS.

Date	The Accounting Standards Board (AcSB)
February 2008	confirmed that publicly accountable enterprises in Canada must use IFRS for fiscal years beginning on or after January 1, 2011.
April 2008	Issued an IFRS Omnibus Exposure Draft. The draft proposed that publicly accountable enterprises must apply IFRS, in full and without modification, for fiscal years beginning on or after January 1, 2011.
March 2009	Issued a second IFRS Omnibus Exposure Draft. The Exposure Draft <ul style="list-style-type: none">• incorporates into Canadian GAAP any amendments made to IFRS since the 2007 Bound Volume was published, and• addresses the following:<ul style="list-style-type: none">• the definition of publicly accountable enterprises• the mandatory effective date for the adoption of IFRS by publicly accountable enterprises, and• the disposition of the Emerging Issues Committee.

NB Power Group's approach

The Group has

- developed a three-phase conversion plan, and is well underway towards achieving a completed IFRS conversion.
- established a Steering Committee to oversee the work performed by
 - internal staff assigned to this project, and
 - external resources engaged to assist with the transition.

The Audit Committee receives regular updates on the progress of the project.

NB Power Group's three-phase conversion plan

The Group's three-phase conversion plan is as follows:

Phase	Description	Status
<i>Scoping</i>	<p>Group identified the areas likely to have the most significant impact on the Group. Specifically, they will</p> <ul style="list-style-type: none">• require significant work to achieve conversion to IFRS and/or• have a large dollar impact on the Group. <p>These high impact areas are:</p> <ul style="list-style-type: none">• rate regulated accounting• leases• financial instruments and hedging• impairment of assets• asset retirement obligations• employee future benefits• provisions and contingencies, and• property, plant and equipment.	Complete
<i>Deep dive</i>	<p>The Group</p> <ul style="list-style-type: none">• analysed the medium and low impact areas• developed a gap analysis between IFRS and Canadian GAAP• performed an introductory mapping of the financial statement disclosure changes needed, and• examined accounting policy choices available upon conversion.	Substantially complete
<i>Adapting</i>	<p>The Group will</p> <ul style="list-style-type: none">• update IT systems to accommodate all necessary changes• prepare all reconciliations necessary to move from Canadian GAAP statements to opening IFRS statements• train and educate the staff.	<p>Will be partially completed in the 2009-10 fiscal year.</p> <p>The impacts of converting to IFRS</p> <ul style="list-style-type: none">• are currently being evaluated but• cannot yet be reasonably determined.

Future Change: Rate Regulated Operations

Effective for fiscal years beginning on or after January 1, 2009, certain sections of the CICA Handbook regarding rate regulated accounting have changed. These amendments were made because IFRS does not have any specific provisions for regulatory accounting.

Description of the changes

The exemption for regulated entities regarding future income taxes will be removed. The intent is that both regulated and non-regulated entities will have comparable financial statements regarding future income taxes.

The effect on the Group

The changes for the Corporation are minimal. There will be no income statement effect on the Corporation's financial results, as a result of these amendments.

The main change is that NB Power will establish the following:

- a future tax asset, in conjunction with the regulatory deferrals (Point Lepreau and PDVSA), and
- an offsetting future tax liability, due to the fact that the full amount of the deferrals will be collectible as a result of the deferrals being established in legislation and approved by Nb Power's regulator.

Introduction

This provides an overview of significant accounting estimates that NB Power uses.

SIGNIFICANT ACCOUNTING ESTIMATES

Amortization

The NB Power Group has an amortization review process whereby the service lives of major asset categories are reviewed every five years or more frequently as circumstances warrant. These reviews include

- physical inspection of the asset and
- review of
 - maintenance and retirement history
 - technological obsolescence and
 - industry practices.

During 2007/08 an independent firm performed an amortization review of the asset categories. The study confirmed that the NB Power group's amortization practices and policies and rates are reasonable and conform to accepted amortization practices. The results of the study were implemented in Disco in the 2007/08 year and the in the remaining companies in 2008/09.

Amortization expense

The amortization expense (refer to Note 7) for the year ended March 31, 2009 was \$165 million compared to \$197 million in 2008. The current estimated useful lives of assets are in Note 4(b) of the Financial Statements.

Asset retirement obligations: Generating Station Decommissioning and Used Nuclear Fuel Management

An asset retirement obligation is a legal obligation associated with the decommissioning of a long-lived asset.

How NB Power handles asset retirement obligations

The NB Power Group follows the Canadian Institute of Chartered Accountants standard for asset retirement obligations which requires recognition of the net present value of these liabilities when assets are created.

Key assumptions

The key assumptions on which the liabilities are based are disclosed in Note 22 of the Financial Statements and these assumptions are updated on a periodic basis. Most of the NB Power Group's asset retirement obligations are in Nuclearco.

Nuclear waste management trust fund

The NB Power Group has established a trust fund pursuant to the Nuclear Fuel Waste Act (refer to Note 16). The Nuclear Fuel Waste Act requires major owners of used nuclear fuel in Canada to establish trust funds to finance the long-term management of used nuclear fuel.

The funding requirement was finalized and approved by the federal government April 7, 2009 prior to this date the Act required the Group to contribute \$4 million annually. This was contributed in November 2008.

An additional \$3 million was contributed in April of 2009 for a total of \$7 million for 2008/09.

Thermal and nuclear decommissioning expense

The thermal and nuclear decommissioning expense (refer to Note 7) for the year ended March 31, 2009 is \$21 million compared to \$19 million in 2008.

Future Employee Benefits

Employees of the NB Power Group belong to the Province of New Brunswick's superannuation defined benefit pension plan (refer to Note 19) The Group has a retirement allowance program and periodically has early retirement costs (refer to Note 23).

Unbilled Revenue

As the NB Power Group bills residential and general service customers on a cyclical basis, the revenue for energy supplied but not billed at the end of each fiscal period is estimated and recorded. This estimate is based on substation readings and average rates.

The revenue accrued at March 31, 2009 was \$ 42 million compared to \$46 million in 2008 (refer to Note 4(j)).

Overhead to Capital

The Group adds an overhead charge to capital projects for indirect charges for administration and other expenses.

The amount of overhead charged to capital in the year ended March 31, 2009 is \$21 million compared to \$20 million in 2008 (refer to Note 4(b)).

Long-term receivable

At March 31, 2009 the Group has a long-term receivable for \$147 million representing a commitment to deliver fuel in the future (refer to Note 13).

2008/09
COMBINED FINANCIAL STATEMENTS

The combined financial statements of NB Power Holding Corporation (the Corporation) have been prepared by management, who are responsible for the integrity, accuracy and fairness of the information. The accounting principles followed in the financial statements are generally accepted in Canada. The financial information presented throughout the annual report is consistent with the financial statements.

Systems of internal control and supporting procedures are maintained to provide assurance that transactions are authorized, assets are safeguarded and records properly maintained. These controls and procedures include

- system security and various financial controls
- quality standards in hiring and training of employees
- a code of conduct
- an organizational structure that provides a well-defined division of responsibilities
- performance accountability
- communication of policies and guidelines through the Corporation

Internal controls are reviewed and evaluated by audit programs, which are subject to scrutiny by external auditors.

The ultimate responsibility for the financial statements rests with the Board of Directors. The Board is assisted in its responsibilities by the Audit Committee, which reviews the recommendations of internal and external auditors for improvements in internal control and the action of management to implement such recommendations. In carrying out its duties and responsibilities, the Audit Committee meets regularly with management and with external and internal auditors to review the scope and timing of their respective audits, to review their findings and to satisfy itself that its responsibility has been properly discharged. The Audit Committee reviews the financial statements and recommends them for approval by the Board of Directors.

The Corporation's external auditors, Deloitte & Touche LLP, have conducted an independent examination of the financial statements in accordance with auditing standards generally accepted in Canada, performing such tests and other procedures as they consider necessary to express the opinion in their Auditors' Report.

The external auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings as to the integrity of the Corporation's financial reporting and the adequacy of internal control systems.

Auditors' Report

To the Honourable Herménégilde Chiasson
Lieutenant-Governor of New Brunswick
Fredericton, New Brunswick

Sir:

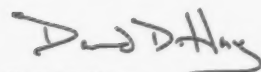
We have audited the combined balance sheet of New Brunswick Power Holding Corporation (the "Corporation") as at March 31, 2009 and the combined statements of earnings, other comprehensive income, deficit, accumulated other comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

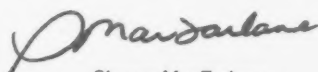
In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
June 12, 2009



David D. Hay
President & CEO



Sharon MacFarlane
Vice President - Finance

NEW BRUNSWICK POWER HOLDING CORPORATION
COMBINED STATEMENT OF EARNINGS
(in millions)

For the year ended March 31	2009	2008
Revenues		
Sales of power		
In-province (Note 2)	\$ 1,219	\$ 1,237
Out-of-province (Note 6)	217	196
Transmission revenue	89	87
Miscellaneous	73	99
(Loss) gain on long-term receivable and associated contracts (Note 13)	(145)	93
	<u>1,453</u>	<u>1,712</u>
Expenses		
Fuel and purchased power	869	585
Transmission expense	82	85
Operations, maintenance and administration	415	397
Amortization and decommissioning (Note 7)	186	216
Taxes (Note 8)	43	43
	<u>1,595</u>	<u>1,326</u>
(Loss) earnings before finance charges, regulatory deferrals and special payments in lieu of income taxes	(142)	386
Finance charges (Note 9)	140	175
(Loss) earnings before regulatory deferrals and special payments in lieu of income taxes	(282)	211
Regulatory deferrals (Note 14)	(386)	73
Earnings before special payments in lieu of income taxes	104	138
Special payments in lieu of income taxes (Note 10)	34	49
Net earnings	<u>\$ 70</u>	<u>\$ 89</u>

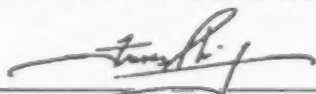
COMBINED STATEMENT OF RETAINED EARNINGS (DEFICIT)
(in millions)

For the year ended March 31	2009	2008
Deficit, beginning of year	\$ (18)	\$ (96)
Net earnings for the year	70	89
Dividends declared (Note 25)	(13)	(11)
Retained earnings (deficit), end of year	<u>\$ 39</u>	<u>\$ (18)</u>

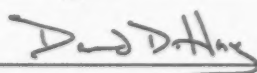
NEW BRUNSWICK POWER HOLDING CORPORATION
COMBINED BALANCE SHEET
(in millions)

As at March 31	2009	2008
Current Assets		
Cash	\$ 6	\$ -
Accounts receivable (Note 25)	290	284
Materials, supplies and fuel	203	181
Prepaid expenses	8	8
Current portion of long-term receivable (Note 13)	147	90
Current portion of derivative assets (Note 26)	82	59
	<u>736</u>	<u>622</u>
Property, Plant and Equipment (Note 15)		
Land, buildings, plant and equipment, at cost	7,306	6,890
Less: accumulated amortization	<u>3,721</u>	<u>3,580</u>
	<u>3,585</u>	<u>3,310</u>
Long-Term Assets		
Nuclear decommissioning and used nuclear fuel management funds (Note 16)	432	414
Long-term receivable (Note 13)	-	217
Derivative assets (Note 26)	2	7
Regulatory assets (Note 14)	317	2
Other investments and deferred assets (Note 17)	<u>7</u>	<u>6</u>
	<u>758</u>	<u>646</u>
Other Assets		
Future special payments in lieu of income taxes	2	7
Future special payments in lieu of income taxes - other comprehensive income (Note 26)	29	-
Intangible asset (Note 18)	21	22
Deferred pension benefit (Note 19)	<u>59</u>	<u>67</u>
	<u>111</u>	<u>96</u>
Total Assets	\$ 5,190	\$ 4,674

ON BEHALF OF NEW BRUNSWICK POWER HOLDING CORPORATION



Chairman



President and Chief Executive Officer

NEW BRUNSWICK POWER HOLDING CORPORATION
COMBINED BALANCE SHEET
(in millions)

As at March 31	2009	2008
Current Liabilities		
Short-term indebtedness (Note 20)	\$ 450	\$ 273
Accounts payable and accruals (Note 25)	265	291
Accrued interest (Note 25)	39	45
Current portion of long-term debt (Note 21)	413	283
Current portion of derivative liabilities (Note 26)	210	24
Current portion future special payments in lieu of income taxes - other comprehensive income	-	12
	<u>1,377</u>	<u>928</u>
Long-Term Debt (Note 21)		
Debentures	<u>3,051</u>	<u>2,879</u>
Deferred Liabilities		
Generating station decommissioning and used nuclear fuel management liability (Note 22)	366	347
Regulatory liability (Note 14)	-	75
Other (Note 23)	84	78
Derivative liabilities (Note 26)	7	6
Future special payments in lieu of income taxes - other comprehensive income	-	10
	<u>457</u>	<u>516</u>
Shareholders' Equity		
Capital stock (Note 11)	140	140
Contributed surplus	187	187
Accumulated other comprehensive (loss) income	(61)	42
Retained earnings (deficit)	39	(18)
	<u>305</u>	<u>351</u>
Total Liabilities & Shareholders' Equity	\$ 5,190	\$ 4,674
Commitments, contingencies and guarantees (Note 28)		

NEW BRUNSWICK POWER HOLDING CORPORATION
COMBINED STATEMENT OF COMPREHENSIVE (LOSS) INCOME
(in millions)

For the year ended March 31	2009	2008
Net earnings	\$ 70	\$ 89
Other comprehensive income, net of tax		
Net unrealized (loss) gain on derivatives designated as cash flow hedges ¹	(109)	30
Net unrealized (loss) gain on mark-to-market of nuclear trust funds ²	(11)	3
	(120)	33
Reclassification to income of settled derivatives designated as cash flow hedges ³	17	17
Other comprehensive (loss) income, net of tax	(103)	50
Comprehensive (loss) income	(33)	139

STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME
(in millions)

For the year ended March 31	2009	2008
Accumulated other comprehensive income (loss), beginning of year	\$ 42	\$ (8)
Other comprehensive (loss) income for the year	(103)	50
Accumulated other comprehensive (loss) income, end of year	\$ (61)	\$ 42

¹ Net of a tax credit of \$54 million for the year ended March 31, 2009, as compared to tax of \$16 million at March 31, 2008

² Net of a tax credit of \$5 million for the year ended March 31, 2009, as compared to tax of \$1 million at March 31, 2008

³ Net of tax of \$8 million for the year ended March 31, 2009, as compared to tax of \$9 million at March 31, 2008

NEW BRUNSWICK POWER HOLDING CORPORATION
COMBINED STATEMENT OF CASH FLOWS
(in millions)

For the year ended March 31	2009	2008
Operating Activities		
Net earnings for the year	\$ 70	\$ 89
Amounts charged or credited to operations not requiring a current cash payment (Note 24)	203	227
	273	316
Nuclear decommissioning and used nuclear fuel management funds instalments and earnings	(35)	(141)
Decommissioning expenditures	(2)	(1)
Regulatory deferrals excluding mark-to-market adjustments (Note 14)	(255)	(20)
Net change in non-cash working capital balances	(60)	(80)
	(79)	74
Investing Activities		
Expenditure on property, plant and equipment, net of proceeds on disposal and customer contributions	(438)	(409)
Recovery of capital (Note 13)	57	86
	(381)	(323)
Financing Activities		
Debt retirements	(284)	(445)
Proceeds from issuance of long-term debt	585	402
Increase in short-term indebtedness	178	273
Dividends paid	(13)	(11)
	466	219
Net cash inflow (outflow)	6	(30)
Cash, beginning of year	-	30
Cash, end of year	\$ 6	\$ -

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the year ended March 31, 2009
 (in millions)

1. INCORPORATION AND CORPORATE STRUCTURE

Incorporation

New Brunswick Power Corporation (NB Power) was established as a Crown Corporation of the Province of New Brunswick in 1920 by enactment of the *New Brunswick Electric Power Act*.

Effect of the Electricity Act: On October 1, 2004 the Province of New Brunswick proclaimed the *Electricity Act*. This resulted in the reorganization of NB Power and the restructuring of the electricity industry in New Brunswick.

Corporate Structure

Following the *Electricity Act*, NB Power was continued as New Brunswick Power Holding Corporation (Holdco) with new subsidiary operating companies. The subsidiaries include

- New Brunswick Power Generation Corporation (Genco)
 - includes New Brunswick Power Coleson Cove Corporation (Colesonco) and NB Coal Limited (NB Coal), formed as subsidiaries of Genco.
- New Brunswick Power Nuclear Corporation (Nuclearco)
- New Brunswick Power Transmission Corporation (Transco)
- New Brunswick Power Distribution and Customer Service Corporation (Disco)

Other organizations formed by the Electricity Act

The *Electricity Act* also resulted in the establishment of the following organizations:

- New Brunswick Electric Finance Corporation (Electric Finance), a Crown Corporation and agent of the Crown, whose purpose is to facilitate the conversion of NB Power's debt to appropriate levels in the subsidiary operating companies and to assume and reduce the remaining portion of NB Power's debt,
- New Brunswick System Operator (System Operator), a not-for-profit body whose purpose is to independently direct the operation of the electricity market, and maintain the long-term adequacy and reliability of the electricity system.

2. RATE REGULATION

This details the effects of a rate regulated environment and its implications on the following rate regulated operating companies

- New Brunswick Power Transmission Corporation (Transco)
- New Brunswick Power Distribution and Customer Service Corporation (Disco).

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2009
(in millions)

2. RATE REGULATION (CONTINUED)

Transco

Components involved

The key components that play a role in Transco's regulation are as follows:

Component	Function
Open Access Transmission Tariff (OATT)	<p>Establishes</p> <ul style="list-style-type: none"> access to the province's transmission system, without discrimination, for entities generating and selling power and for customers, whether from inside or from outside the province. how the NB Power Group raises revenues to operate and maintain the transmission system.
New Brunswick Energy and Utilities Board (EUB)	Oversees and regulates the OATT.
System Operator	<ul style="list-style-type: none"> Designs and administers the OATT. Collects revenues from load serving entities – including Genco, Nuclearco and Disco – and reimburses Transco for its revenue requirement.

Expectation of returns

Transco is intended to collect sufficient revenues to cover its costs, and to provide a return on its equity. The return approved by the regulator for Transco is 9.5 per cent (with a possibility of increasing to 10.5 per cent), and capital of 65 per cent debt and 35 per cent equity.

Disco

Disco is regulated under a system whereby annual average rate increases greater than three per cent or the percentage change in the average Consumer Price Index, whichever is higher, require regulatory approval by the EUB.

Regulatory assets and liabilities

Regulatory assets or liabilities may arise as a result of the rate-setting process. If all the required conditions are met, Transco's and Disco's balance sheet can contain

- Regulatory assets which represent future revenues associated with certain costs incurred in current or prior periods that are expected to be recovered from customers in future periods through the rate-setting process.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2009

(in millions)

- Regulatory liabilities which represent future reductions or limitations of revenue increases associated with amounts that are expected to be refunded to customers.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2009
(in millions)

2. RATE REGULATION (CONTINUED)

All amounts deferred as regulatory assets and liabilities are subject to regulatory approval. As such

- the regulatory authorities could alter the amounts subject to deferral, at which time the change would be reflected in the financial statements
- certain remaining recovery and settlement periods are those expected by management and the actual recovery or settlement periods could differ based on regulatory approval.

For the regulatory deferral related to the Point Lepreau Generating Station refurbishment, the *Electricity Act* was amended to provide guidance on the specific treatment of costs incurred.

Transco

As at March 31, 2009, Transco has a regulatory asset related to allowance for funds used during construction which is included in property, plant and equipment (see Note 15).

Allowance for funds used during construction

The EUB permits allowance for funds used during construction in progress (AFUDC) to be capitalized monthly on capital construction projects. AFUDC is based on Transco's weighted average cost of capital and is amortized over the future life of the related asset.

A non-regulated entity would not be allowed to include a charge for equity capital as part of an asset's cost.

Recovery of regulatory asset

It is expected that future amortization from property, plant and equipment containing allowance for funds used during construction is recoverable through the OATT. However, the expected recovery or likelihood of recovery is affected by the EUB's decisions determining Transco's revenue requirement.

Disco

Point Lepreau Generating Station refurbishment

At March 31, 2009 Disco has a regulatory asset relating to refurbishing the Point Lepreau Generating Station. This asset accumulates

- the normal period costs (net of any revenues) incurred by Nuclearco, and
- the costs of replacement power incurred by Genco, during the refurbishment period.

These amounts will be

- recovered from customers over the refurbished station's operating life, and
- reflected in Disco's charges, rates and tolls to customers (as per section 143.1 of the *Electricity Act*).

Lawsuit settlement with PDVSA

At March 31, 2009, Disco has a regulatory liability relating to a lawsuit settlement with PDVSA (see Note 14). The mark-to-market adjustment¹ at March 31, 2009 has caused the regulatory liability to be in a temporary asset position. The regulatory liability reflects Disco's obligation to pass the settlement's net benefits on to customers, by reducing future rates. The settlement's benefits will be

- accumulated as they are received, over the Coleson Cove Generating Station's 23-year useful life
- passed on to customers over 17 years, as approved by the EUB, on a levelized basis.

¹ These mark-to-market adjustments are temporary and will reverse when all the fuel shipments have been received.

**NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

For the year ended March 31, 2009
(in millions)

3. BASIS OF PRESENTATION

The accompanying combined financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied on a basis consistent with the preceding year. The combined financial statements include the accounts of Holdco and those of its subsidiaries listed above (collectively the NB Power Group or the Group).

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2009
(in millions)

4. SIGNIFICANT ACCOUNTING POLICIES

This describes the accounting policies used in preparing the financial statements. It contains the following sections

- a. Materials, supplies and fuel inventory
- b. Property, plant and equipment
- c. Intangible asset
- d. Foreign exchange transactions
- e. Long-term debt
- f. Asset retirement obligations
- g. Pension plans
- h. Retirement allowance
- i. Early retirement programs
- j. Revenues
- k. Financial instruments
- l. Derivatives
- m. Special payments in lieu of taxes
- n. Consolidation of variable interest entities
- o. Use of estimates

a. Materials, supplies and fuel inventory

Inventories of materials, supplies and fuel other than nuclear fuel are valued at average cost. Nuclear fuel is valued at cost using the first-in, first-out method.

b. Property, plant and equipment

Cost of additions

The cost of additions to property, plant and equipment is the original cost of

- contracted services
 - direct labour and material
 - interest and allowance for funds used during construction
 - indirect charges for administration, and
 - other expenses related to capital projects
- less
- credits for the value of power generated during commissioning,
 - contributions in aid of construction, which include customer contributions, and research and development grants, and
 - recovery of capital from lawsuit and insurance settlements.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the year ended March 31, 2009
 (in millions)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Property, plant and equipment (continued)

Generating station decommissioning and disposal of used nuclear fuel

Property, plant and equipment also includes the present value of asset retirement obligations related to

- the disposal of used nuclear fuel, and
- decommissioning of the nuclear and thermal generating stations.

Interest and allowance for funds used during construction

Interest during construction is capitalized monthly based on the weighted average cost of long-term debt capital on capital projects based on the cost of long-term borrowings, except in Transco where allowance for funds used during construction is capitalized monthly on capital projects based on the weighted average cost of capital.

Cost of retired distribution system assets

The cost of distribution system assets retired, net of dismantlement and salvage, is charged to accumulated amortization as deemed appropriate by the New Brunswick Board of Commissioners of Public Utilities (now the New Brunswick Energy and Utilities Board (EUB)).

Asset amortization

Amortization is provided for all assets sufficient to amortize the cost of such assets less estimated salvage value over their estimated service lives.

Estimated service lives

The estimated service lives of fixed assets are periodically reviewed and any changes are applied prospectively.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the year ended March 31, 2009
 (in millions)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Property, plant and equipment (continued)

Estimated service lives

The main categories of property, plant and equipment are being amortized on a straight-line basis based on the following estimated service lives

Assets	Years
Power generating stations	
Nuclear generating station ²	25 - 50
Hydro generating facilities	35 - 100
Thermal generating stations	25 - 35
Combustion turbine generating stations	25
Transmission system	45 - 60
Terminals and substations	25 - 60
Distribution system	16 - 40
Buildings	40 - 50
Communications and computer systems	3 - 15
Mining equipment	20 - 35
Motor vehicles	3 - 18

²the Nuclear generating station's useful life is based on the refurbished life

Recognizing impairment

The Group evaluates its property, plant and equipment to identify impairment whenever conditions indicate that estimated undiscounted future net cash flows may be less than the net carrying amount of assets. If impairment is identified, an impairment loss will be recognized equal to the amount by which the carrying amount exceeds the fair value.

c. Intangible asset

Intangible assets are recorded at cost on the balance sheet and amortized over their estimated useful lives.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2009
(in millions)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Foreign exchange transactions

Monetary assets and liabilities denominated in foreign currencies

- may be hedged using a forward exchange contract, and
- are translated to Canadian dollars as follows

If a forward exchange contract	Then the exchange rate used is
is not in place	the exchange rate prevailing at the balance sheet date.
is in place	the exchange rate established by the terms of the contract.

Exchange gains and losses resulting from foreign currency translation are reflected in earnings.

e. Long-term debt

Long-term debt is classified as loans and receivables for financial instrument purposes and is recorded at the amortized cost using the effective interest method. The estimated fair value of long-term debt is disclosed in the notes to the financial statements using market values or estimates of market values based on debt with similar terms and maturities. Debenture discounts and premiums, and deferred interest related to debt financing, are amortized over the lives of the issues to which they pertain. These unamortized debt costs are included in long-term debt.

f. Asset retirement obligations

This describes the accounting policies related to asset retirement obligations. It contains information on the

- nuclear and thermal generating stations, and
- hydro generating stations, transmission and distribution assets.

Nuclear and thermal generating stations

NB Power Group provides for the estimated future costs of permanently disposing of used nuclear fuel, and decommissioning the nuclear and thermal generating stations to return the sites to a state of unrestricted use.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the year ended March 31, 2009
 (in millions)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Asset retirement obligations (continued)

Calculations of anticipated costs

The calculations of the anticipated future costs are based on detailed studies that take into account various assumptions regarding

- the method and timing of dismantling the nuclear and thermal generating stations
- the cost of transporting nuclear material to permanent disposal facilities, and
- estimates of inflation rates in the future.

The Group reviews such calculations periodically due to

- potential developments in the decommissioning and used nuclear fuel management technologies, and
- changes in the various assumptions and estimates inherent in the calculations.

The NB Power Group recognizes these liabilities taking into account the time value of money.

Costs recognized as liabilities

The estimated present values of the following costs have been recognized as a liability as at March 31, 2009

- the fixed cost portion of used nuclear fuel management activities. These are required regardless of the volume of fuel consumed.
- the variable cost portion of used nuclear fuel management activities to take into account actual fuel volumes incurred up to March 31, 2009, and
- the costs of decommissioning the nuclear and thermal generating stations at the end of their useful lives.

The liability for used nuclear fuel management is increased for nuclear fuel bundles used each year with the corresponding amounts charged to operations through fuel expense.

The liability accounts are charged for current expenditures incurred related to the following

- used nuclear fuel management, and
- nuclear and thermal plant decommissioning.

Accretion expense

Accretion is the increase in the carrying amount of the liability due to the passage of time.

Accretion is calculated on the liabilities for used nuclear fuel management and nuclear and thermal plant decommissioning. Specifically, the accretion expense is

- calculated using the Group's credit-adjusted risk-free rate, and
- included with amortization expense.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the year ended March 31, 2009
 (in millions)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Asset retirement obligations (continued)

Calculation methodology

The Nuclear Waste Management Organization's (NWMO) was established by the *Nuclear Fuel Waste Act (NFWA)*. The methodology used by the NB Power Group to calculate the liability for used nuclear fuel management is consistent with the Nuclear Waste Management Organization's (NWMO) recommendations as approved by NRCan.

Hydro generating stations, transmission and distribution assets

For hydro generating stations, transmission and distribution assets no removal date can be determined. Consequently a reasonable estimate of the fair value of any related asset retirement obligations cannot be made at this time.

- ***Hydro generating stations***
The Group currently has no intention and is not legally obligated to decommission its hydro generating stations. With either maintenance efforts or rebuilding, the assets are expected to be used for the foreseeable future.
- ***Transmission and distribution assets***
The NB Power Group expects to use the majority of its transmission and distribution assets for an indefinite period of time.

If at some future date it becomes possible to estimate the fair value cost of removing assets that the Group is legally required to remove, an asset retirement obligation will be recognized at that time.

g. Pension plans

This describes the accounting policies related to pension plans. It contains information on the following

- plans in place
- method to determine accrued benefit obligation
- expected returns on plan assets
- actuarial gains and losses, and
- transitional asset.

Plans in place

The NB Power Group employees, excluding NB Coal employees, are members of the Province of New Brunswick Public Service Superannuation Plan. NB Coal maintains a private defined benefit pension plan for its employees.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2009
(in millions)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Pension plans (continued)

The Province of New Brunswick Public Service Superannuation Plan is a multi-employer, defined benefit plan. Details are as follows

Aspect	Detail
Pension benefits based on	length of service and the average of the highest five consecutive years of earnings
Escalation	annual, based on the Consumer Price Index to a maximum of five or six per cent depending on retirement date.
Contributions	made by the Group and its employees as prescribed in the <i>Public Service Superannuation Act</i> and its regulations.

Method to determine accrued benefit obligation

Under both plans, future salary levels affect the amount of employee future benefits. Therefore the projected benefit method pro-rated on service has been used to determine the accrued benefit obligation.

Expected return on plan assets

The expected return on plan assets is based on the expected long-term rate of return on plan assets and the market related value of plan assets.

Actuarial gains and losses

Actuarial gains or losses in excess of 10 per cent of the greater of the accrued benefit obligation, and the fair value of the plan assets at the beginning of the year are amortized over the expected average remaining service life of the employee group.

Transitional asset

The transitional asset is the fair market value of the plan assets less the accrued benefit obligation as determined at April 1, 2000, and amortized over the average remaining service life of the employee group.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the year ended March 31, 2009
 (in millions)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Retirement allowance

The NB Power Group has a retirement allowance program for employees. The program provides a lump-sum payment equal to one week of pay for each full year of employment to a maximum of 26 weeks of pay.

The present value of accrued retirement allowance obligations

- is based on actuarial calculations
- incorporates management's best estimate assumptions on salary and wage projections to expected retirement dates, and
- is amortized on a straight-line basis over the expected average remaining service life of the employee group.

i. Early retirement programs

The present value of the estimated future costs of early retirement programs is charged to earnings in the year the program is accepted by employees, irrespective of when payments are actually made.

j. Revenues

Recognizing revenues

The NB Power Group recognizes revenue when

- persuasive evidence of an arrangement exists
- delivery has occurred
- the price to the buyer is fixed or determinable, and
- collection is reasonably assured.

Billing schedule

Billing occurs monthly, according to the table below. Revenue in respect of items not billed at the end of a fiscal period is estimated and accrued.

Customer type	Billing schedule
<ul style="list-style-type: none"> • residential • general service, and • most industrial customers 	on a cyclical basis (i.e. the date on which a customer is billed each month varies from one customer to the next).
<ul style="list-style-type: none"> • industrial transmission, and • out-of-province customers 	at the end of each month.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2009
(in millions)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity (e.g. accounts receivable/accounts payable).

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Group's designation of the instrument into one of five following categories

- held-for-trading
- loans and receivables
- available-for-sale
- other liabilities
- held-to-maturity

Held-for-trading

Financial assets and liabilities in this category are typically acquired, with the intention of reselling them prior to maturity. The Group can choose to designate any financial asset or liability as being held for trading.

The following are classified as held-for-trading assets

- cash
- long-term receivable
- derivative assets not in a hedging relationship

The following is classified as held-for-trading liability

- derivative liabilities not in a hedging relationship

The Group has not designated any non-derivative financial liabilities as held for trading.

Accounting for held-for-trading assets and liabilities

These assets and liabilities are measured at fair value at the balance sheet date. Changes in fair value are included in net earnings. These include

- interest earned
- interest accrued
- realized gains and losses, and
- unrealized gains and losses.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2009
(in millions)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Financial instruments (continued)

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity or held-for-trading investments. Available-for-sale assets include

- nuclear decommissioning funds
- used fuel management funds.

Accounting for available-for-sale assets

Available-for-sale financial assets are recorded as follows

Asset	Accounting treatment
available-for-sale financial asset with quoted market prices in an active market	carried at fair value with <ul style="list-style-type: none"> • unrealized gains and losses are recognized outside net earnings, in other comprehensive income. • gains and losses are transferred to net earnings when they are realized.
available-for-sale financial asset without quoted market prices in an active market	carried at cost.

Interest on interest-bearing available-for-sale financial assets are calculated using the effective interest method.

Other liabilities

All the Group's financial liabilities, except for derivative liabilities designated as held-for-trading, are included in this category. They are recorded at amortized cost, using the effective interest method.

Effective interest method and transaction costs

The NB Power Group uses the effective interest method to recognize interest income or expense. The effective interest method discounts estimated future cash payments or receipts over an instrument's expected life, or a shorter period if appropriate, down to the net carrying amount at the balance sheet date. The calculation includes earned or incurred

- transaction costs
- fees
- premiums
- discounts.

Transaction costs associated with held-for-trading instruments are expensed as they are incurred.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the year ended March 31, 2009
 (in millions)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Derivatives

A derivative is a financial instrument or other contract with all three of the characteristics below

- value changes with underlying variable (e.g. market index)
- little or no initial investment required, and
- settled at a future date.

Derivative use and documentation

The Group uses derivatives to manage or "hedge" certain exposures. It does not use them for speculative or trading purposes. Certain derivative financial instruments held by the Group are eligible for hedge accounting. To be eligible for hedge accounting the Group formally documents

- all relationships between hedging instruments and hedged items at their inception, its assessment of the effectiveness of the hedging relationship, and
- its hedging objectives and strategy underlying various hedge transactions.

This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific forecasted transactions.

Accounting for derivatives

Derivatives eligible for hedge accounting are recognized on the balance sheet at their fair value. The accounting for changes in fair value depends on its effectiveness as a hedge. In broad terms, a derivative is an effective hedge of another item when changes in their fair value or cash flows closely offset each other. Due to the nature of some of the hedging relationships the fair values or cash flows do not perfectly offset, which represents the ineffective portion.

Different portions of changes in a derivative's fair value are recognized as follows

This portion	is recognized in
effective	other comprehensive income, outside net earnings for the year.
ineffective	net earnings.

If a hedging instrument is sold or terminated before it matures, or if it ceases to be effective as a hedge,

- the Group ceases hedge accounting at that point, and
- any gains or losses previously accumulated in other comprehensive income are then recognized immediately in net earnings.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the year ended March 31, 2009
 (in millions)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. Special payments in lieu of taxes

The NB Power Group, excluding NB Coal, is required under the Electricity Act to make special payments in lieu of taxes to Electric Finance. Total special payments in lieu of taxes consist of

- an income tax component based on accounting net earnings multiplied by a rate of 32.38 per cent for the year ended March 31, 2009 as compared to 34.47 per cent for the year ended March 31, 2008
- a capital tax component based on the large corporation tax rules contained in the *New Brunswick Income Tax Act*, and
- future special payments in lieu of taxes on other comprehensive income based on a rate of 32.38 per cent for the year ended March 31, 2009 as compared to 34.47 per cent for the year ended March 31, 2008.

The Group also recognizes the future special payments in lieu of income taxes benefit of current losses when it is more likely than not that sufficient earnings will be generated in future periods to offset losses previously incurred.

Special payments in lieu of taxes are calculated at the individual company level.

n. Consolidation of variable interest entities

Variable interest entities refer to an entity subject to consolidation according to the provisions of AcG-15. The NB Power Group has several variable interests in the form of power purchase contracts with third-party corporations. The Group has not consolidated the financial results of these third-party entities.

Rationale: all contracts except one

For all of these contracts except one, it was determined that there is an insignificant amount of variability being absorbed by the Group as a result of these contracts and therefore consolidation is inappropriate.

Rationale: the exception

There is one purchase power contract to purchase all the capacity and electrical energy produced by a 90 MW co-generation facility that began production in December 2004. Purchases under this contract were \$63 million for the year ended March 31, 2009 as compared to \$55 million for the year ended March 31, 2008.

Despite exhaustive efforts, the Group has been unable to obtain the necessary information, and has therefore been unable to assess whether the third-party corporation is a variable interest entity. As a result, the Group has not consolidated the financial results of this third-party entity.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2009
(in millions)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. Use of estimates

The preparation of financial statements that conform to generally accepted accounting principles requires management to make estimates and assumptions that affect

- the reported amounts of assets and liabilities at the date of the financial statements and
- the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from the estimates. The following table lists the notes that refer to these estimates

Note reference	Estimate
Note 7	Amortization and decommissioning of capital assets
Note 13	Long-term receivable
Note 14	Regulatory assets and liabilities
Note 19	Deferred pension benefit
Note 22	Generating station decommissioning and used nuclear fuel management liability
Note 23	Deferred liabilities – other
Note 26	Financial instruments

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the year ended March 31, 2009
(in millions)

5. CHANGES IN ACCOUNTING POLICIES

Policies that have changed in 2008/09

In 2008/09 the NB Power Group adopted the following recommendations of the Canadian Institute of Chartered Accountants Handbook:

Section	Description and requirement	Effect on 2009 results
Section 3031, <i>Inventories</i> .	<p>This Section describes the</p> <ul style="list-style-type: none"> • recognition • measurement • reporting, and • disclosure recommendations <p>with respect to inventory.</p> <p>This Section</p> <ul style="list-style-type: none"> • requires inventories to be measured at the lower of cost or net realizable value • no longer permits the last-in first-out (LIFO) measurement methodology; and • requires the reversal of previous inventory write-downs to net realizable value where necessary. • capitalizes inventory that meets the definition of major spare parts. 	<p>These were applied retrospectively with prior year restatement.</p> <p>As at April 1, 2008 \$8 million (April 1, 2007 - \$8 million) were reclassified to capital assets on the balance sheet as they</p> <ul style="list-style-type: none"> • met the definition of a spare part • will be used over more than one period and, • will only be used in connection with capital assets.
Sections 3862 and 3863, <i>Financial Instruments – Disclosure and Presentation</i>	<p>These Sections describe reporting and disclosure guidelines with respect to financial instruments.</p> <p>They require the Corporation to disclose quantitative and qualitative information in order for the readers to understand the nature, and extent of risks associated with the Corporation's financial instruments.</p>	Additional note disclosure was added.
Section 1535, <i>Capital Disclosures</i>	This Section requires the Corporation to disclose quantitative and qualitative information regarding objective policies and processes for managing capital.	Additional note disclosure was added.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2009
(in millions)

5. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Policies that have changed in 2008/09 (continued)

Section	Description and requirement	Effect on 2009 results
Section 1400, <i>General Standards of Financial Statement Presentation</i>	<p>This Section was amended regarding providing going concern guidance to management. Management must</p> <ul style="list-style-type: none"> • assess an entity's ability to continue as a going concern each time financial statements are prepared • take into account all available information at such time, and • disclose material uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. 	None.
Section 3064, <i>Goodwill and Intangible Assets</i>	<p>This Section describes the</p> <ul style="list-style-type: none"> • recognition • measurement • reporting, and • disclosure recommendations <p>with respect to goodwill and intangible assets.</p> <p>This Section replaces Section 3062 <i>Goodwill and Other Intangibles Assets</i> and Section 3450 <i>Research and Development Costs</i>.</p>	None.
EIC 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities	<p>This EIC requires that the fair value of financial instruments, including derivative financial instruments, takes into account the counterparties' credit risks for assets and the Corporation's credit risk for liabilities.</p>	<p>Applied retrospectively without restatement of prior periods.</p> <p>The effects on the Corporation's 2009 financial results were immaterial.</p>

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the year ended March 31, 2009
(in millions)

5. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Future accounting changes

International Financial Reporting Standards (IFRS)

This describes the issues and impact on the NB Power Group of implementing IFRS.

Key dates

Date	Event
February 2008	The Accounting Standards Board (AcSB) confirmed that the use of IFRS will be required for fiscal years beginning on or after January 1, 2011 for publicly accountable enterprises in Canada.
April 2008	The AcSB issued an IFRS Omnibus Exposure Draft proposing that publicly accountable enterprises be required to apply IFRS, in full and without modification, for fiscal years beginning on or after January 1, 2011.
March 2009	The Accounting Standards Board issued a second IFRS Omnibus Exposure Draft. The purpose of this Exposure Draft is to incorporate into Canadian GAAP any amendments made to IFRS since the 2007 Bound Volume was published. It also addresses the definition of publicly accountable enterprises, the mandatory effective date of the adoption of IFRSs by publicly accountable enterprises, and the disposition of the Emerging Issues Committee.
April 1, 2011	<p>The transition date for the NB Power Group.</p> <p>This will require the restatement, for comparative purposes, of amounts reported by the Corporation for its year ended March 31, 2011, and of the opening balance sheet as at April 1, 2010.</p> <p>The AcSB proposes that CICA Handbook Section - <i>Accounting Changes</i>, paragraph 1506.30, not be applied with respect to this second IFRS Omnibus Exposure Draft.</p> <p>This paragraph normally requires an entity to disclose information relating to a new primary source of Canadian GAAP that has been issued but is not yet effective and that the entity has not applied.</p>

Progress to date and evaluation of impacts

The Group has completed the scoping phase of its transition plan. The impacts of the differences identified from the scoping phase and the complete conversion to IFRS are currently being evaluated by the Group to determine the effect on its processes, system and financial statements upon adoption. The Group anticipates significant work around the determination of opening balances in the consolidated

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2009

(in millions)

statement of financial position, and a significant increase in disclosure resulting from the adoption of IFRS.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the year ended March 31, 2009
(in millions)

5. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Future accounting changes

Public Sector Accounting Board (PSAB)

PSAB is a body of the CICA that governs the accounting standards applicable to federal, provincial, territorial and local governments. PSAB accounting standards apply to the NB Power Group as it is a Governmental Business Entity (GBE). Currently GBEs are directed by PSAB to follow commercial standards, Canadian GAAP and not the Public Sector Accounting book. When the AcSB announced that Canadian GAAP would be replaced with IFRS, the PSAB announced that GBEs would continue to follow commercial standards, and would therefore have to convert to IFRS.

In December 2008 the PSAB revisited this issue and released an invitation to comment on whether or not GBEs should convert to IFRS or convert to PSAB.

A decision has not yet been issued, but it is possible that the Corporation will have the choice to convert to IFRS or PSAB. The Corporation will then determine which conversion is most appropriate for all stakeholders.

Rate regulated accounting

IFRS currently do not have a specific standard allowing rate regulated accounting. In December 2008, the International Accounting Board (IASB) amended their agenda to include a project related to rate regulated accounting.

An exposure draft is expected to be released in July 2009 with a 120 day comment period. A final standard is expected in 2010.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2009

(in millions)

5. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Rate Regulated Operations

Effective for fiscal years beginning on or after January 1, 2009, certain sections of the CICA Handbook regarding rate regulated accounting have changed. These changes represent the conclusion of the long and often changing CICA project on rate-regulated accounting.

CICA Handbook Section	Description	Effect
Section 1100 <i>Generally Accepted Accounting Principles</i>	the temporary exemption has been removed.	There will be no effect on the Corporation's financial results, as a result of these amendments.
Section 3465 <i>Income Taxes</i>	requires the recognition of <ul style="list-style-type: none"> • future income tax liabilities and assets, and • a separate regulatory asset or liability for the amount of future income taxes expected to be included in future rates, and recovered from or paid to future customers. 	

6. OUT-OF-PROVINCE REVENUES

Out of province revenues were as follows

	2009	2008
United States customers	\$ 47	\$ 64
Canadian customers	170	132
Total out-of-province revenues	\$ 217	\$ 196

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the year ended March 31, 2009
(in millions)

7. AMORTIZATION AND DECOMMISSIONING

	2009	2008
Amortization	\$ 165	\$ 197
Decommissioning	21	19
Amortization and decommissioning	\$ 186	\$ 216

8. TAXES

	2009	2008
Property taxes	\$ 22	\$ 21
Utility and right of way taxes	17	17
Special payments in lieu of provincial capital taxes	4	5
Taxes	\$ 43	\$ 43

9. FINANCE CHARGES

	2009	2008
Interest expense	\$ 189	\$ 192
Less: Earnings from trust funds and other investments	(21)	(16)
	168	176
Debt portfolio management fee	22	21
Deferred debt costs	2	1
Realized foreign exchange (gains) or losses	(11)	5
	181	203
Less: Interest capitalized	(41)	(28)
Finance charges	\$ 140	\$ 175

Interest paid during the year

Interest paid during the year was \$195 million compared to \$203 million in 2008. Interest received on investments during the year was \$21 million compared to \$16 million in 2008.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the year ended March 31, 2009
 (in millions)

10. SPECIAL PAYMENTS IN LIEU OF INCOME TAXES

This describes NB Power Group's special payments in lieu of income taxes. It contains information on the following:

- Special payments in lieu of income taxes for the year
- Future special payments in lieu of income taxes – other comprehensive income.

Special payments for the year

Special payments in lieu of income taxes were as follows

	2009	2008
Earnings before special payments in lieu of income taxes	\$ 104	\$ 138
Loss not subject to payments in lieu of income taxes	-	3
Earnings subject to special payments in lieu of income taxes	104	141
Income tax rate	32.38%	34.47%
Special payments in lieu of income taxes	\$ 34	\$ 49

Taxes paid during the year were \$58 million compared to \$29 million in 2008.

Future special payments in lieu of income taxes – other comprehensive income

Future special payments for other comprehensive income are as follows

	2009	2008
Other comprehensive income before special payments in lieu of income taxes	\$ (154)	\$ 76
Income tax rate	32.38%	34.47%
Special payments in lieu of income taxes (recovery)	\$ (51)	\$ 26

Special payments in lieu of income taxes are calculated at an individual company level.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the year ended March 31, 2009
(in millions)

11. CAPITAL STOCK

The NB Power Group, with Electric Finance's approval, is authorized to issue an unlimited number of Class A or Class B shares without nominal or par value.

Capital stock issued and outstanding is as follows

	Class A	Class B
Number of shares	1	1,006
Voting or non-voting	Voting	Non-voting
Shareholder	New Brunswick Minister of Energy	Electric Finance
Value	Nominal	\$ 140 (stated value)
Dividend entitlement	Cannot be paid dividends until such time that there are no longer any Class B shares outstanding.	Received when declared by the Group's Boards of Directors. The designated percentage of the dividends declared may vary based upon the discretion of the Shareholder and the financial position of the Group. Dividends are declared and paid at an individual company level.

12. CAPITAL MANAGEMENT

The Corporation's objectives with respect to its capital structure are to maintain effective access to capital on a long-term basis at the lowest possible cost to customers. The Corporation does not have a credit rating currently as all current borrowings are completed with Electric Finance acting as an agent for the Group with the guarantee of the Province of New Brunswick. Accordingly the Group is predominantly debt financed.

The Corporation considers its capital structure to include the following

At March 31	2009	2008
Long-term debt payable within one year	\$ 413	\$ 283
Less: Cash	6	-
	407	283
Short-term indebtedness	450	273
Long-term debt	3,051	2,879
Common stock	140	140
Contributed surplus	187	187
Retained earnings (deficit)	39	(18)
Total Capital	\$ 4,274	\$ 3,744
Percentage of net debt in capital structure	91%	92%



Energie NB Power

Groupe Group

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the year ended March 31, 2009
(in millions)

13. LONG-TERM RECEIVABLE

This describes elements of the lawsuit settlement with Petroleos de Venezuela S.A. (PDVSA). It contains information on the following

- amount and terms of settlement, and
- use and recognition of the settlement.

Amount and terms of settlement

On August 3, 2007, the NB Power Group settled a lawsuit with PDVSA for \$333 million in total. The settlement was as follows

This amount	Was settled as follows
\$115 million	paid by PDVSA on signing.
\$218 million	a commitment by PDVSA to deliver a specified quantity of fuel in the future. The Group assigned a value based on <ul style="list-style-type: none"> • forward prices, and • planned delivery dates at the time of the settlement.

Use and recognition of the settlement

For the Group, the lawsuit settlement recovers part of its investment to prepare the Coleson Cove Generating Station to receive and burn Orimulsion fuel. Therefore the majority of the settlement, \$304 million, has been applied to reduce the station's net book value.

The Group will recognize the benefits of the lawsuit settlement through reduced interest and amortization as a result of

- reduced debt levels, and
- reduced net book value of the Coleson Cove Generating Station

During 2008/09, as a result of the settlement

- interest expense was lower by \$5 million, and
- amortization was lower by \$13 million due to the station's reduced net book value.

Ultimately, the settlement's net benefit will be accumulated through a regulatory deferral and passed on to customers, through rate reductions over 17 years as approved by the EUB (see Note 2).

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the year ended March 31, 2009
(in millions)

13. LONG-TERM RECEIVABLE (CONTINUED)

Long-term receivable	2009	2008
Opening balance	\$ 307	\$ -
Lawsuit settlement received	-	218
Shipments received	(57)	-
(Loss) gain on long-term receivable and associated hedges ³	(145)	93
Less: unrealized mark-to-market (loss) gain on associated hedges ⁴	(32)	4
Less: realized cost adjustments	(10)	-
Unrealized (loss) gain on mark-to-market of long-term receivable	(103)	89
	147	307
Less: current portion	(147)	(90)
Long-term receivable	\$ -	\$ 217

³ The mark-to-market adjustments are temporary and will reverse when all the fuel shipments have been received.

⁴ Unrealized (loss) gain on associated hedges are recognized in derivative assets/liabilities.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the year ended March 31, 2009
(in millions)

14. REGULATORY ASSETS AND LIABILITIES

Disco has regulatory assets totaling \$317 million in 2008/09 compared to \$2 million in 2007/08, and nil regulatory liabilities in 2008/09 compared to \$75 million in 2007/08. A reconciliation of the two regulatory amounts is as follows

Regulatory asset (liability) – lawsuit settlement with PDVSA	2009	2008
Opening balance	\$ (75)	\$ -
Deferral adjustment on Statement of Earnings		
Amortization and interest savings	(18)	(12)
Unrealized loss (gain) on mark-to-market of long-term receivable	103	(89)
Unrealized mark-to-market loss (gain) on associated freight hedges	32	(4)
Cost adjustments on shipments received	10	-
Levelized benefit to customers ⁵	25	30
	152	(75)
Closing balance	\$ 77	\$ (75)

Regulatory asset – Point Lepreau Generating Station refurbishment	2009	2008
Opening balance	\$ 2	\$ -
Deferral adjustment on Statement of Earnings		
Period costs	176	2
Additional costs to supply energy	58	-
	234	2
	236	2
Interest on deferral	4	-
Closing balance	\$ 240	\$ 2

⁵ Relates to the current year portion of the projected benefits of the lawsuit settlement with PDVSA that are passed onto customers on a levelized basis over 17 years.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the year ended March 31, 2009
(in millions)

14. REGULATORY ASSETS AND LIABILITIES (CONTINUED)

Impact on earnings before special payments in lieu of income taxes	2009	2008
Lawsuit Settlement with PDVSA		
Amortization and interest savings	\$ (18)	\$ (12)
Loss (gain) on mark-to-market of long-term receivable and associated freight hedges ⁶	135	(93)
Cost adjustment on shipments received	10	-
Levelized benefit to customers	25	30
	152	(75)
Point Lepreau Generating Station refurbishment		
Period costs	176	2
Additional costs to supply energy	58	-
	234	2
Total impact on earnings before special payments in lieu of income taxes	\$ 386	\$ (73)

⁶The mark-to-market adjustments are temporary and will reverse when all the fuel shipments have been received.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the year ended March 31, 2009
(in millions)

15. PROPERTY, PLANT AND EQUIPMENT

Cost, accumulated amortization and net book value for property, plant and equipment is as follows

	2009			2008		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Power generating stations	\$ 4,411	\$ 2,655	\$ 1,756	\$ 4,364	\$ 2,567	\$ 1,797
Transmission system	354	162	192	355	155	200
Terminals and substations	489	276	213	478	265	213
Distribution system	803	394	409	780	375	405
Buildings and properties	60	36	24	59	35	24
Communications and computer systems	129	96	33	116	83	33
Mining equipment	56	53	3	52	52	-
Motor vehicles	58	36	22	55	36	19
Miscellaneous assets	27	13	14	26	12	14
Construction-in-progress	919	-	919	605	-	605
Total	\$ 7,306	\$ 3,721	\$ 3,585	\$ 6,890	\$ 3,580	\$ 3,310

Construction-in-progress related to the Point Lepreau Generating Station refurbishment at March 31, 2009 was \$747 million compared to \$486 million at March 31, 2008.

The charge for equity capital (allowance for funds used during construction) included for 2009 was \$1 million compared to \$1 million in 2008.

16. NUCLEAR DECOMMISSIONING AND USED NUCLEAR FUEL MANAGEMENT FUNDS

This describes the segregated funds established by NB Power Group regarding nuclear decommissioning and used fuel management. It contains information on the following

- fund requirements
- NB Power Group's funds
- status of NB Power Group's funds.

Fund requirements

The *Nuclear Fuel Waste Act* requires major owners of used nuclear fuel in Canada to establish trust funds to finance the long-term management of used nuclear fuel. In June 2007, the Government of Canada announced its decision to accept the long term disposal plan proposed by the Nuclear Waste Management Organization. The NB Power Group adheres to this plan.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2009
(in millions)

16. NUCLEAR DECOMMISSIONING AND USED NUCLEAR FUEL MANAGEMENT FUNDS
(CONTINUED)

The Canadian Nuclear Safety Commission requires the Group to maintain certain segregated funds to meet license conditions for the Point Lepreau Generating Station. The money contained in these established funds will be used to meet the *Nuclear Fuel Waste Act* requirements.

NB Power Group's funds

The NB Power Group has established the following funds, each held in a custodial account.

Fund	Trustee	Purpose	Funding requirement
Decommissioning segregated fund and used nuclear fuel segregated fund	Provincial Minister of Finance	To meet the license conditions for the Point Lepreau Generating Station set by the Canadian Nuclear Safety Commission	Established yearly based on the current obligations and market value of the funds. The amount of the contribution in the 2008/09 year was \$15 million (2007/08 - \$121 million).
Used nuclear fuel trust fund	Federal Minister of Finance	To meet the <i>Nuclear Fuel Waste Act</i>	<p>The Act requires the Group to contribute \$4 million annually. This was contributed in November 2008.</p> <p>The NWMO funding proposal was accepted by the government of Canada on April 7, 2009. As such, a further \$3 million was contributed for 2008/09. This was contributed in April 2009.</p>

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2009
(in millions)

16. NUCLEAR DECOMMISSIONING AND USED NUCLEAR FUEL MANAGEMENT FUNDS
(CONTINUED)

Status of NB Power Group's funds

The status of each fund is as follows

	2009	2008
<i>Nuclear Decommissioning Fund</i>		
Decommissioning segregated fund	\$ 137	\$ 137
<i>Used Nuclear Fuel Management Funds</i>		
1. Used nuclear fuel segregated fund	246	232
2. Used nuclear fuel trust fund	49	45
	295	277
 Total nuclear decommissioning and used nuclear fuel management funds ⁵	 \$ 432	 \$ 414

17. OTHER INVESTMENTS AND DEFERRED ASSETS

The Group entered into a 15-year agreement to have an outside party build and operate an ash separation facility at the Belledune Generating Station to process the fly ash produced at the plant. The \$6 million investment in 2007 represents the Group's required share of the cost of the facility. Pursuant to this agreement, the Group will receive royalties on the sale of the processed ash over the term of the agreement. The investment is being amortized on a straight line basis over the life of the agreement.

Deferred assets relate to costs incurred for dredging. These will be amortized over a period of five years.

Other investments and deferred assets were as follows

	2009	2008
Ash separation investment	\$ 6	\$ 6
Deferred assets	1	-
Total investments and deferred assets	\$ 7	\$ 6

⁵ Includes a mark-to-market adjustment at March 31, 2009 of \$15 million as compared to \$32 million at March 31, 2008.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the year ended March 31, 2009
 (in millions)

18. INTANGIBLE ASSET

In 2007 the Group purchased a hydro generating facility. The purchase consisted of land, dam, equipment, and the assignment of a statutory right to generate electricity on the Nepisiguit River.

The estimated fair market value of the assignment of rights was \$22 million and is being amortized over the remaining useful life of the facility.

	2009	2008
Opening balance	\$ 22	\$ -
Acquisition of rights	-	22
	22	22
Amortization	(1)	-
Closing balance	\$ 21	\$ 22

19. DEFERRED PENSION BENEFIT

This describes details associated with NB Power Group's deferred pension benefit. It contains information on the following

- applicable pension plans
- assumptions
- costs
- assets and obligations
- contributions.

Applicable pension plans

NB Power Group employees, excluding NB Coal employees, are members of the Province of New Brunswick Public Service Superannuation Plan as described in Note 4(g). Pension assets and liabilities for the Public Service Superannuation Plan are measured as at March 31, 2009 while the assets and liabilities for the NB Coal plan are measured as at December 31, 2008. The most recent actuarial valuation for funding purposes for the Public Service Superannuation Plan was completed as at April 1, 2008. The next valuation for funding purposes is required to be completed as at April 1, 2011.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the year ended March 31, 2009
(in millions)

19. DEFERRED PENSION BENEFIT (CONTINUED)

Assumptions

Management's significant assumptions include the following

	2009	2008
	(%)	(%)
Discount rate used to determine the accrued benefit obligation	6.50	5.25
Expected long-term rate of return on plan assets	7.50	6.25
Expected salary increases	2.5	2.5

Costs

The costs recognized for the year are

	2009	2008
Current service cost	\$ 24	\$ 22
Interest on accrued benefit obligation	66	63
Actual loss (gain) on plan assets	190	(2)
Difference between actual and expected return on plan assets	(254)	(62)
Actuarial (gains) losses on accrued benefit obligation	(201)	11
Difference between actuarial loss recognized for the year and actuarial loss on accrued benefit obligation for the year	214	(2)
Amortization of transitional asset	(3)	(3)
Costs recognized	\$ 36	\$ 27

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the year ended March 31, 2009
(in millions)

19. DEFERRED PENSION BENEFIT (CONTINUED)

Assets and obligations

The status of the assets and obligations of the Group's share of the Public Service Superannuation Plan and NB Coal's private plan as at March 31, 2009 was as follows

	2009	2008
Pension fund assets at fair value	\$ 840	\$ 1,035
Accrued benefit obligation	1,106	1,251
Pension deficit	(266)	(216)
Unamortized transitional asset	(24)	(27)
Unamortized losses	349	310
Deferred pension benefit	\$ 59	\$ 67

Contributions

In accordance with prescribed regulations, contributions were as follows

	2009	2008
Employee contributions	\$ 11	\$ 11
Employer contributions	\$ 28	\$ 26

20. SHORT-TERM INDEBTEDNESS

The NB Power Group borrows funds for temporary purposes from Electric Finance. The short-term borrowings due to Electric Finance were \$450 million at March 31, 2009, as compared to \$273 million in 2008.

21. LONG-TERM DEBT

The Group borrows funds from Electric Finance to finance long-term requirements. This provides details around the Group's long-term debt. It contains information on

- year-end long-term borrowings
- terms
- interest rates
- debt portfolio management fee, and
- principal repayments.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2009
(in millions)

21. LONG-TERM DEBT (CONTINUED)

Year-end long-term borrowings

Long-term borrowings at year-end were as follows

	2009	2008
Debentures held by Electric Finance	\$ 3,508	\$ 3,173
Other	1	1
	3,509	3,174
Unamortized deferred debt costs	(45)	(12)
	3,464	3,162
Less: Current portion	(413)	(283)
Long-term debt	\$ 3,051	\$ 2,879

Terms

The maturity dates of the debentures range from 2009 to 2034. The terms of the debentures are such that the Group is required to make annual principal repayments of one per cent of the original amount of each debenture on the anniversary date of its maturity. These payments will be made until the actual maturity dates of the debentures, at which time the remaining principal amounts will be repaid.

Interest rates

The debentures bear interest at fixed rates ranging from 4.36 to 8.75 per cent. The weighted average coupon interest rate on all debentures outstanding at March 31, 2009 is 5.46 per cent as compared to 5.80 per cent in 2008.

Debt portfolio management fee

The Group pays an annual debt portfolio management fee to Electric Finance amounting to 0.6489 per cent of the total of long-term debt and short-term indebtedness, measured as at the beginning of the fiscal year.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the year ended March 31, 2009
 (in millions)

21. LONG-TERM DEBT (CONTINUED)

Principal repayments

Long-term debt principal repayments are due as follows

Year Ending	Principal Repayment
March 31, 2010 – current portion	\$ 413
March 31, 2011	93
March 31, 2012	540
March 31, 2013	465
March 31, 2014	170
March 31, 2015 and thereafter	1,828
Long-term portion	\$ 3,096
Total debt	\$ 3,509

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the year ended March 31, 2009
 (in millions)

22. GENERATING STATION DECOMMISSIONING AND USED NUCLEAR FUEL MANAGEMENT LIABILITY

This provides details of NB Power Group's asset retirement obligations. It contains information on

- nature of the liability
- assumptions used for the liabilities
- liabilities at year-end

Nature of the liability

Details of the liabilities are as follows:

Liability	Nature	Funding details
Thermal generating station decommissioning	Cost of decommissioning the thermal generating stations after the end of their service lives.	The liability is not funded.
Nuclear generating station decommissioning	Cost of decommissioning the nuclear generating station after the end of its service life.	See Note 16 for details on the funding of this liability.
Used nuclear fuel management	Cost of interim and long-term management of used nuclear fuel bundles generated by the nuclear generating station.	See Note 16 for details on the funding of this liability.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the year ended March 31, 2009
(in millions)

22. GENERATING STATION DECOMMISSIONING AND USED NUCLEAR FUEL MANAGEMENT LIABILITY (CONTINUED)

Assumptions used for the liabilities

The key assumptions on which the liabilities were based are as follows

	Thermal decommissioning	Nuclear decommissioning	Used nuclear fuel management
Undiscounted amount of estimated cash flows to settle liability			
- 2009	\$ 124	\$ 702	\$ 770
- 2008	\$ 123	\$ 689	\$ 751
Reason for the increase	Escalation, and changes to the liability	Escalation	Escalation
Cash expenditures required until the year	2035	2076	2174
Rate used to discount cash flows			
- for initial recognition of the liability	7.1%	7.1%	7.1%
- for subsequent recognition of additional liability	5.3 to 6.3%	5.9%	5.2 to 5.9%
Inflation rate to determine asset retirement obligation	2.0%	2.0%	1.8 to 3.6%

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the year ended March 31, 2009
 (in millions)

22. GENERATING STATION DECOMMISSIONING AND USED NUCLEAR FUEL MANAGEMENT LIABILITY (CONTINUED)

Liabilities at year-end

The liabilities for thermal generating and nuclear generating stations decommissioning and used nuclear fuel management consists of the following

	2009	2008
<i>Thermal generating station decommissioning liability</i>		
Balance, beginning of year	\$ 54	\$ 48
Add: Liabilities incurred, including revisions to cash flows	-	4
Add: Accretion expense	3	2
Less: Expenditures	(2)	-
Balance, end of year	\$ 55	\$ 54
<i>Nuclear generating station decommissioning liability</i>		
Balance, beginning of year	\$ 82	\$ 77
Add: Accretion expense	6	5
Balance, end of year	\$ 88	\$ 82
<i>Used nuclear fuel management liability</i>		
Balance, beginning of year	\$ 211	\$ 192
Add: Liabilities incurred, including revisions to cash flows	-	9
Add: Accretion expense	12	11
Less: Expenditures	-	(1)
Balance, end of year	\$ 223	\$ 211
Total generating station decommissioning and used nuclear fuel management liability	\$ 366	\$ 347

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2009
(in millions)

23. DEFERRED LIABILITIES – OTHER

This provides details around the NB Power Group's other deferred liabilities. It contains information on the following

- early retirement liability
- retirement allowance liability
- NB Coal environmental liability.

The table below summarizes the Group's deferred liabilities - other

	2009	2008
Early retirement programs	\$ 47	\$ 48
Retirement allowance program	24	20
Other future employee benefits payable	5	4
NB Coal land reclamation	3	2
NB Coal environmental liability	10	9
	89	83
Less: Amounts due within one year ⁶	(5)	(5)
Deferred liabilities – other	\$ 84	\$ 78

⁶ Amounts due within one year are included in accounts payable and accruals.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the year ended March 31, 2009
 (in millions)

23. DEFERRED LIABILITIES – OTHER (CONTINUED)

Early retirement liability

The NB Power Group has an unfunded early retirement program as described in Note 4(i). The latest actuarial calculation to estimate the liability was completed as at April 1, 2008.

The table below shows

- Management's significant assumptions
- the costs recognized for the period, and
- the status of the obligation of the Group at year end.

	2009	2008
<i>Assumptions</i>		
Discount rate used to determine the early retirement liability	6.50%	5.25%
<i>Cost</i>		
Interest on early retirement liability	4	3
Costs recognized for the year	\$ 4	\$ 3
<i>Obligation</i>		
Accrued benefit obligation	\$ 47	\$ 53
Unamortized losses	-	(6)
Lump sum payable	-	1
Early retirement liability	\$ 47	\$ 48

Recording the early retirement liability

The cumulative amount expensed in excess of amounts paid out under the early retirement program is recorded as a deferred liability.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the year ended March 31, 2009
(in millions)

23. DEFERRED LIABILITIES – OTHER (CONTINUED)

Retirement allowance liability

The Group has a unfunded retirement allowance program as described in Note 4(h). The latest actuarial calculation to estimate the liability was completed as at April 1, 2008.

Assumptions

Management's significant assumptions include the following

	2009	2008
	%	%
Discount rate used to determine the retirement allowance liability	6.50	5.25
Expected salary increases	2.5	2.5

This table shows

- the costs recognized for the year, and
- the status of the obligation of the Group at year-end

	2009	2008
<i>Costs</i>		
Current service cost	\$ 2	\$ 2
Interest on retirement allowance liability	4	4
Costs recognized for the year	\$ 6	\$ 6
<i>Obligation</i>		
Accrued benefit obligation	\$ 36	\$ 38
Unamortized losses	(12)	(18)
Retirement allowance liability	\$ 24	\$ 20

Recording the retirement allowance liability

The cumulative amount expensed in excess of amounts paid out under the retirement allowance program is recorded as a deferred liability.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the year ended March 31, 2009
 (in millions)

23. DEFERRED LIABILITIES – OTHER (CONTINUED)

NB Coal environmental liability

The Group and its subsidiary NB Coal have a long-term plan to treat acidic water drainage from an inactive mine. NB Coal has recognized an environmental liability equal to the net present value of the expected future costs using a discount rate of 7.75% (2008 – 7.75%).

The liability is as follows

	2009	2008
Balance, beginning of year	\$ 9	\$ 9
Add: Accretion expense	1	1
Less: Expenditures	-	(1)
Balance, end of year	\$ 10	\$ 9

Cash flows required to settle the liability

The total undiscounted amount of the estimated cash flows required to settle the liability (in 2002 dollars) is \$11 million.

24. AMOUNTS CHARGED OR CREDITED TO OPERATIONS NOT REQUIRING A CURRENT CASH PAYMENT

The amounts are as follows

	2009	2008
Amortization and decommissioning	\$ 186	\$ 216
Retirement expenses less related funding	3	3
Pension expense less related funding	8	-
Used nuclear fuel liabilities incurred	-	4
Future payments in lieu of income taxes	6	4
	\$ 203	\$ 227

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2009
(in millions)

25. RELATED PARTY TRANSACTIONS

Related parties of the NB Power Group include Electric Finance, System Operator, and the Province of New Brunswick. This note outlines transactions with these related parties.

Revenues and expenses

The following related party revenues and expenses are included in the financial results for the year ended March 31, 2009

	Electric Finance		System Operator	
	2009	2008	2009	2008
Revenues				
Transmission revenue	\$ -	\$ -	\$ 89	\$ 87
Miscellaneous revenue	-	-	6	5
	-	-	95	92
Expenses				
Transmission expense	-	-	82	85
Other	-	-	(4)	(3)
Interest expense	189	193	-	-
Debt portfolio management fee	22	21	-	-
Special payments in lieu of provincial capital taxes	4	5	-	-
Special payments in lieu of income taxes ⁹	36	49	-	-
	251	268	78	82

Receivables and payables

The following related party receivable and payable balances existed as at March 31, 2009

	Electric Finance		System Operator	
	2009	2008	2009	2008
Accounts receivable	\$ 16	\$ 9	\$ 11	\$ 10
Accounts payable	9	27	9	6
Accrued interest payable	39	45	-	-

The amounts included in accounts receivable and accounts payable for related parties are subject to the normal payment terms extended to unrelated parties.

Dividends

During the year the Group declared \$13 million in dividends, as compared to \$11 million in 2008, payable to Electric Finance.

⁹ Excluding future payments in lieu of income taxes

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the year ended March 31, 2009
 (in millions)

25. RELATED PARTY TRANSACTIONS (CONTINUED)

Debt and guarantees

The Group has debt payable to Electric Finance (Note 20 and 21) which is guaranteed by the province of New Brunswick as at March 31, 2009.

Electric Finance has provided certain guarantees for the Group to significant third-party creditors with respect to banking arrangements, trade payables and derivative financial instrument obligations.

Payments to the Province of New Brunswick

During the year the Group made payments to the Province of New Brunswick for property taxes, utility taxes, and right of way taxes of \$43 million, as compared to \$43 million in 2008.

26. FINANCIAL INSTRUMENTS

A financial instrument (see Note 4(k)) is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity (e.g. accounts receivable/accounts payable).

Fair value of financial instruments

Fair value represents an estimate of the consideration that would be agreed on in an arm's length transaction between knowledgeable, willing parties under no compulsion to act.

A financial instrument's fair value at a given date (including fair values of forward contracts used for hedging purposes, and other derivative positions) reflects, among other things, differences between the instrument's contractual terms and the terms currently available in the market.

Valuation dates

For all of its financial assets and liabilities, the Group discloses fair values as at March 31, 2009.

Outstanding financial instruments

This details the Group's outstanding financial instruments at March 31, 2009. It contains information on the following instruments

- a. Long-term debt
- b. Nuclear decommissioning and used fuel management funds
- c. Long-term receivable (PDVSA settlement)
- d. Derivative instruments in hedging relationships
 - i. foreign exchange contracts
 - ii. heavy fuel oil contracts
 - iii. natural gas contracts
 - iv. freight contracts
 - v. electricity contracts
 - vi. interest rate contracts
- e. Other financial assets and liabilities

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2009
(in millions)

26. FINANCIAL INSTRUMENTS (CONTINUED)

a. Long-term debt

This financial instrument is categorized as other liabilities and is recorded on the Combined Balance Sheet at book value.

At March 31, the Group had outstanding long term debt as follows:

	2009	2008
Book value (in millions)	\$3,464	\$3,162
Fair value (in millions)	\$3,673	\$3,389

b. Nuclear decommissioning and used fuel management funds

This financial instrument is categorized as available-for-sale and is recorded on the Combined Balance Sheet at fair value.

At March 31, the Group had outstanding nuclear decommissioning and used fuel management funds as follows

	2009	2008
Cost (in millions)	\$ 417	\$ 382
Fair value (in millions)	\$ 432	\$ 414
Gain in market value (embedded in AOCI)	\$ 15	\$ 32

c. Long-term receivable (PDVSA settlement)

This financial instrument is categorized as held-for-trading and is recorded on the Combined Balance Sheet at fair value.

At March 31, the Group had an outstanding long-term receivable valued as follows

	2009	2008
Book value (in millions)	\$161	\$218
Fair value (in millions)	\$147	\$ 307
Gain (loss) in market value (included in retained earnings)	\$ (14)	\$ 89

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the year ended March 31, 2009
 (in millions)

26. FINANCIAL INSTRUMENTS (CONTINUED)

d. Derivative instruments in hedging relationships

A derivative (see note 4(l)) is a financial instrument or other contract with all three of the characteristics below)

- value changes with underlying variable (e.g. market index)
- little or no initial investment required
- settled at a future date.

Under derivative contracts, the Group settles amounts based on the difference between an index-based monthly cumulative floating price and a fixed price. The resultant fixed price is reflected in net earnings.

The fair value of derivatives excludes the de-designated portion of the forward contracts used as hedging instruments. The de-designated portion is included in accounts receivable and accounts payable as a settlement accrual. Unless noted otherwise, the fair value of derivatives has been estimated

- by referring to quoted market prices, or
- from valuations supplied by counterparties for the actual or similar instruments.

i. Foreign exchange contracts

This financial instrument is categorized as held-for-trading and is recorded on the Combined Balance Sheet at fair value.

The Group hedges exchange risk relating to net forecasted US dollar requirements, by entering into forward contracts to sell Canadian dollars and to acquire US dollars. At March 31, it had outstanding contracts maturing over the next 18 months as follows

	2009	2008
Net commitment to purchase (\$ US in millions)	\$ 536	\$ 588
Weighted average exchange rate (\$ US / \$ CAD)	1.0834	1.0600
Fair value asset (liability) (in millions)	\$ 92	\$ (17)

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2009
(in millions)

26. FINANCIAL INSTRUMENTS (CONTINUED)

d. Derivative instruments in hedging relationships (continued)

ii. Heavy fuel oil contracts

This financial instrument is categorized as held-for-trading and is recorded on the Combined Balance Sheet at fair value.

The Group hedges its anticipated exposure to changes in the cost of heavy fuel oil. At March 31, it had net outstanding contracts maturing over the next 12 months as follows

	2009	2008
Net notional amount (in millions of barrels)	1.2	1.0

Weighted average fixed price (in \$ US per barrel) ⁸	\$ 69.97	\$ 23.57*
Fair value (liability) asset (in millions)	\$ (39)	\$ 51

iii. Natural gas contracts

This financial instrument is categorized as held-for-trading and is recorded on the Combined Balance Sheet at fair value.

The Group hedges its anticipated exposure to changes in natural gas prices. At March 31, it had outstanding contracts maturing over the next 18 months as follows

	2009	2008
Net notional amount (in millions of btu)	12.9	12.9
Weighted average fixed price (in \$ US per btu)	\$ 11.43	\$ 10.32
Fair value (liability) asset (in millions)	\$ (78)	\$ 20

⁸ The effective forward rate for 2007/08 is distorted due to the significant level of sales transactions included in the net forward position. The net forward position includes the purchase of approximately 4.2 million bbls at an average price of \$54/bbl and sales transactions of approximately 3.2 million bbls at an average price of \$64/bbl.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the year ended March 31, 2009
(in millions)

26. FINANCIAL INSTRUMENTS (CONTINUED)

d. Derivative instruments in hedging relationships (continued)

iv. Freight contracts

This financial instrument is categorized as held-for-trading and is recorded on the Combined Balance Sheet at fair value.

A portion of the Group's fuel freight costs are based on an index price. The Group hedges its anticipated exposure to changes in this index. At March 31, it had outstanding contracts maturing over the next 12 months as follows

	2009	2008
Notional amount (in metric tonnes)	865	1,213
Weighted average fixed price (index value)	6,004	5,674
Fair value (liability) asset (in millions)	\$(28)	\$13

v. Electricity contracts

This financial instrument is categorized as held-for-trading and is recorded on the Combined Balance Sheet at fair value.

The Group hedges, to the extent possible, its anticipated exposure relating to changes in electricity prices. These changes affect both

- the price the Group receives on its export sales of electricity
- the price it pays on out-of-province purchases.

Sales contracts

At March 31 the Group had outstanding electricity sale contracts maturing over the next 33 months as follows

	2009	2008
Net notional amount (in millions of MWh)	0.3	0.4
Weighted average fixed price (in \$ US per MWh)	\$ 71.00	\$ 71.00
Fair value asset (liability) (in millions)	\$ 7	\$(3)

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2009
(in millions)

26. FINANCIAL INSTRUMENTS (CONTINUED)

d. Derivative instruments in hedging relationships (continued)

v. Electricity contracts (continued)

Purchase Contracts

At March 31 the Group had outstanding electricity purchase contracts maturing over the next 23 months as follows

	2009	2008
Net notional amount (in millions of MWh)	2.3	1.0
Weighted average fixed price (in \$ US per MWh)	\$ 63.12	\$ 67.84
Fair value (liability) asset (in millions)	\$ (36)	\$ 11

vi. Interest rate contracts

This financial instrument is categorized as held-for-trading and is recorded on the Combined Balance Sheet at fair value.

The Group has hedged the interest rate risk associated with the Point Lepreau Generating Station refurbishment borrowings. The Group

- entered into contracts to exchange monthly payments based on the difference between a fixed rate and a monthly cumulative floating rate, and
- will recognize the difference paid or received as an adjustment to finance charges, over the life of the hedged borrowings.

At March 31, the Group had outstanding interest rate hedges maturing over the next 12 months as follows

	2009	2008
Notional amount (in millions)	\$ 200	\$ 560
Fair value liability (in millions)	\$ (43)	\$ (14)

e. Other financial assets and financial liabilities

The fair value of other financial assets and financial liabilities on the balance sheet approximate their carrying values due to their short-term maturity.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the year ended March 31, 2009
(in millions)

26. FINANCIAL INSTRUMENTS (CONTINUED)

Summary of impacts of financial instruments

The following table summarizes the impact of financial instruments recorded on the balance sheet at March 31, 2009. These include

- the fair value of the derivative instruments in hedging relationships
- the accrued settlement value on the derivatives no longer qualifying for hedge accounting, and
- the market value change on the long-term receivable and Nuclear trust funds

	Nuclear Trust Funds	Long term receivable PDVSA	Foreign Exchange	Heavy Fuel Oil	Natural Gas	Freight	Electricity Sale	Electricity Purchase	Interest Rates	Total
Accrued settlement value on de-designated forward contracts ¹¹	-	-	8	1	-	-	7	(8)	-	8
Mark-to-market on long- term receivable - PDVSA ¹²	-	(14)	-	-	-	-	-	-	-	(14)
Current portion of derivative assets	-	-	82	-	-	-	-	-	-	82
Long-term portion of derivative assets	-	-	2	-	-	-	-	-	-	2
Mark-to-market on Nuclear Funds (Note 16)	15	-	-	-	-	-	-	-	-	15
Current portion of derivative liabilities	-	-	-	(40)	(76)	(28)	-	(23)	(43)	(210)
Long-term portion of derivative liabilities	-	-	-	-	(2)	-	-	(5)	-	(7)
Assets (liabilities)	15	(14)	92	(39)	(78)	(28)	7	(36)	(43)	(124)

¹¹ Included in account receivable and/or accounts payable

¹² Included in long-term receivable, loss is offset by a regulatory deferral.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2009
(in millions)

26. FINANCIAL INSTRUMENTS (CONTINUED)

The impact of financial instruments at March 31, 2009 resulted in a net liability position of \$124 million (see above table). Of the \$124 million recognized on the balance sheet

- \$34 million is recognized in retained earnings
- \$90 million (\$61 million after tax) is recognized in accumulated other comprehensive income (AOCI)

A reconciliation of these amounts are summarized in the following tables

Retained earnings impact	Nuclear	Long term receivable	Foreign	Heavy Fuel	Natural		Electricity	Electricity	Interest	
	Trust Funds	PDVSA ¹³	Exchange	Oil	Gas	Freight ¹³	Sale	Purchase	Rates	Total
Balance - April 1, 2008	-	89	(2)	30	-	3	(3)	1	-	118
Current year adjustments										
Change in value of derivatives not subject to hedge hedge accounting	-	-	-	-	-	-	10	-	-	10
Mark-to-market of lawsuit settlement and related hedges	-	(103)	-	-	-	(32)	-	-	-	(135)
De-designated hedge adjustments - 2008/09	-	-	16	13	-	1	-	(17)	-	13
Reversal of de-designated hedge adjustments	-	-	(6)	(42)	-	-	-	8	-	(40)
	-	(103)	10	(29)	-	(31)	10	(9)	-	(152)
Balance - March 31, 2009	-	(14)	8	1	-	(28)	7	(8)	-	(34)

¹³The earnings impact (before regulatory deferral) of the mark-to-market of the long-term receivable and freight contracts related to PDVSA lawsuit settlement

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the year ended March 31, 2009
(in millions)

26. FINANCIAL INSTRUMENTS (CONTINUED)

AOCI Impact	Nuclear Trust Funds	Long term receivable PDVSA	Foreign Exchange	Heavy Fuel Oil	Natural Gas	Freight	Electricity Sale	Electricity Purchase	Interest Rates	Total
Accumulated other comprehensive income (loss) - April 1, 2008	32	-	(15)	21	20	10	-	10	(14)	64
2008/09 impact of mark-to-market adjustments	(17)	-	99	(61)	(98)	(10)	-	(38)	(29)	(154)
	15	-	84	(40)	(78)	-	-	(28)	(43)	(90)
Future special payments in lieu of income taxes reflected in accumulated other comprehensive income	(5)	-	(27)	13	25	-	-	9	14	29
Accumulated other comprehensive income (loss) - March 31, 2008	10	-	57	(27)	(53)	-	-	(19)	(29)	(61)

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2009
(in millions)

27. FINANCIAL INSTRUMENT RISK MANAGEMENT

This describes the following types of risk:

- credit risk
- market risk, and
- liquidity risk

Credit Risk

Credit risk is a risk that a financial loss will occur due to a counterparty failing to perform its obligations under the terms of a financial instrument.

Managing credit risk

To manage credit risk, the Group

- conducts a thorough assessment of counterparties prior to granting credit, and
- actively monitors the financial health of its significant counterparties, and the potential exposure to them on an on-going basis.

The following is a summary of the fair value of the Group's financial instruments that were exposed to credit risk at March 31, 2009:

Financial assets	Designated category	2009 Fair value
Cash	Held for trading	\$6
Accounts receivable	Loans and receivables	290
Long-term receivable	Held for trading	147
Derivative assets	Held for trading	84
Nuclear decommissioning and used nuclear fuel management funds	Available for sale	432
		<u>\$959</u>

Cash

The credit risk associated with cash is considered to be low as the funds are deposited with Canadian chartered banks.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the year ended March 31, 2009
 (in millions)

27. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

Accounts receivable

Accounts receivable is largely a combination of receivables from residential and commercial customers in-province and out-of-province. To reduce credit risk, the Group monitors outstanding receivables and pursues collection of overdue amounts.

The following table shows a summary of accounts receivable by the number of days outstanding for the Group as at March 31, 2009

Accounts receivable	2009
Trade	
Current	\$184
60-89 days	3
Greater than 90 days	8
	195
Allowance for doubtful accounts	(8)
Miscellaneous receivables ¹⁴	87
Special payments in lieu of income taxes refundable	16
	<u>\$290</u>

¹⁴ Miscellaneous receivables includes non electricity sales, accruals and accrued hedge settlements.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the year ended March 31, 2009
(in millions)

27. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

Allowance for doubtful accounts

The allowance for doubtful accounts is

- reviewed on a regular basis, and
- based on the estimate of outstanding accounts that are at risk of being uncollectible.

Reconciliation of allowance for doubtful accounts	2009
Balance, beginning of year	\$4
Increase during the year	6
Bad debts recovery during the year	1
Bad debts written off during the year	(3)
Balance, end of year	\$8

Concentration of credit risk

No significant concentration of credit risk exists within accounts receivable as the receivables are spread across numerous in-province and out-of-province customers. Where amounts are at risk the Group holds deposits or requires letters of credit.

Nuclear decommissioning and used fuel management funds

The Group limits its credit risk associated with the nuclear decommissioning and used fuel management trust funds by investing in liquid securities tied to creditworthy counterparties. The current portfolio comprises mainly provincial and federal government bonds. The related credit risk associated with these funds is considered to be low.

Long-term receivable (PDVSA settlement)

The long-term receivable represents a contractual commitment by PDVSA to deliver fuel over a period of time. The Group is receiving fuel deliveries on a consistent basis as scheduled. The receivable balance will continue to decline as the remaining outstanding deliveries are received.

Derivative assets

The Group only enters into derivative financial instrument transactions with highly creditworthy counterparties. All of the counterparties with which the Group has outstanding positions, have investment grade credit ratings assigned to them by external rating agencies.

The Group

- monitors counterparty credit limits on an ongoing basis, and
- requests collateral for exposures that exceed assigned credit limits.

At March 31, 2009, the Group was holding cash collateral or letters of credit in support of derivative asset exposures that exceeded counterparty credit limits.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the year ended March 31, 2009
(in millions)

27. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

Concentration of credit risk (continued)

There is a concentration of credit risk at March 31, 2009 in relation to derivative assets, as the bulk of the derivative asset balance is tied to a few significant counterparties. However, since the majority of the amount is associated with counterparties that are Canadian chartered banks, the associated credit risk is considered to be low.

Market Risk

Market risk is the risk that the Group's earnings or financial instrument values will fluctuate due to changes in market prices.

The Group is exposed to a variety of market price risks such as changes in

- foreign exchange rates
- interest rates
- commodity prices
- electricity prices, and
- freight prices.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the year ended March 31, 2009
(in millions)

27. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

The Group manages these exposures through the use of forwards and other derivative instruments in accordance with Board approved policies.

The following table provides a sensitivity analysis which shows the dollar value impact of small changes in various market rates and prices. The amounts shown are derived from outstanding volumes of financial instruments that existed at March 31, 2009.

(millions of dollars)	Impact on earnings before special payments in lieu of income taxes ¹⁵	Impact on other comprehensive Income before tax
Exchange and interest rates		
1 cent change in the CAD/USD exchange rate	-	\$ 5
.25% change in Canadian interest rates	-	10
.5% change in short-term debt rates	2	-
.5% change in investment yields	-	25
Commodity prices		
\$5/bbl change in the price of heavy fuel oil	-	6
\$1/mmbtu change in natural gas prices	-	13
\$5/MWh change in electricity prices	1	11
Freight prices		
400 point change in the Baltic Dry Index ¹⁶	2	-

Long-term receivable (PDVSA settlement)

The value of the long-term receivable (PDVSA settlement) is impacted by market price changes in

- foreign exchange, and
- various commodity prices.

Changes in the market value of the receivable are partially offset by changes in other derivative instruments. The net impact of these changes is included in the regulatory deferral account. As the mark-to-market adjustments are temporary and will reverse when all the fuel shipments have been received, the amount remaining in the deferral are the savings from the lawsuit settlement.

¹⁵ These impacts are not included in other comprehensive income as the financial instruments are either not derivatives or not eligible for hedge accounting.

¹⁶ The Index tracks worldwide international shipping prices of various dry bulk cargoes.



Énergie NB Power

Groupe Group

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2009
(in millions)

27. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

Liquidity Risk

Liquidity risk is a risk that the Group will have difficulty or be unable to meet its financial obligations associated with financial liabilities.

The Group forecasts its financing requirements on a consistent basis so that it can plan and arrange for financing to meet financial obligations as they come due. The following table summarizes the contractual maturities of the Group's financial liabilities at March 31, 2009 and in future years:

Financial liability	Carrying amount	Contractual cash flows	2010	2011	2012	2013 and thereafter
Short-term indebtedness	\$ 450	\$ 450	\$ 450	-	-	-
Accounts payable and accruals	265	265	265	-	-	-
Accrued interest	39	39	39	-	-	-
Derivative liabilities	217	217	210	7	-	-
Long term debt	3,509	3,509	413	93	540	2,465
Interest on long-term debt	-	1,623	191	163	151	1,117
	\$ 4,480	\$ 6,103	\$ 1,568	\$ 263	\$ 691	\$ 3,582

The Group has the ability to generate sufficient funding to meet these financial obligations.

**NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

For the year ended March 31, 2009
(in millions)

28. COMMITMENTS, CONTINGENCIES AND GUARANTEES

This details the commitments, contingencies and guarantees in place at NB Power.

Belledune wharf

The Group has entered into an operating lease agreement for use of the port facility at Belledune. The agreement expires in 2013 with a 20-year renewal option. This lease provides for annual charges of approximately \$5 million.

Courtenay Bay Generating Station

This details the agreements that the Group has in place regarding the Courtenay Bay Generating Station. It contains information on agreements in the following areas

- rental of site facilities
- power purchase and transmission access
- natural gas transportation service.

Rental of site facilities

The Group has entered into a lease agreement for rental of site facilities. The agreement expires in 2021 with a five-year option to extend.

The tenant has repowered an existing 100 MW unit to a 280 MW combined cycle natural gas unit, which began commercial operation effective September 2001.

Power purchase and transmission access

The Group entered into a related power purchase and transmission access agreement. The agreement expires in 2021 with a five-year option to extend with the same third party.

The Group will purchase all the electrical energy produced by the repowered 280 MW combined cycle natural gas unit during the winter period, November 1 to March 31, and from time-to-time some or all of the electrical energy produced during the summer period.

Natural gas transportation service

The Group has entered into an agreement expiring in 2015 for firm natural gas transportation service to the repowered Courtenay Bay Generating Station. The cost of transportation will be recovered from the tenant referred to in the lease of the station.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the year ended March 31, 2009
 (in millions)

28. COMMITMENTS, CONTINGENCIES AND GUARANTEES (CONTINUED)

Power purchase agreements

The Group has a number of power purchase agreements with third parties, as follows

Initial duration of agreement	End date	Amount of energy	Agreement to purchase
20 years	2024	90 MW	all the capacity and electrical energy produced by a co-generation facility.
30 years	2027	38.5 MW	38.5 MW capacity and energy from a co-generation facility.
25 years	2033	96 MW	all the electrical energy of a wind generation facility.
20 years	2029	48 MW	all the electrical energy of a wind generation facility to be constructed by third parties.
20 years	2029	51 MW	all the electrical energy of a wind generation facility to be constructed by third parties.
25 years	2034	49.5 MW	all the electrical energy of a wind generation facility to be constructed by a third party.
25 years	2034	64.5 MW	all the electrical energy of a wind generation facility to be constructed by a third party.
2 years	2011	32 MW	all the capacity and electrical energy of a third party generation facility

Fuel supply agreement

On August 3, 2007 Holdco settled legal action against Petroleos de Venezuela, S.A. (PDVSA) and others. The settlement included an in-kind portion representing a commitment to deliver a specified quantity of fuel which is expected to be fulfilled by March 2010.

This new fuel supply agreement with PDVSA replaces a previous fuel supply agreement with Bitor America Corporation.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the year ended March 31, 2009
 (in millions)

28. COMMITMENTS, CONTINGENCIES AND GUARANTEES (CONTINUED)

Point Lepreau Generating Station refurbishment project

The Group will refurbish the Point Lepreau Generating Station replacing key components of the reactor and upgrading other major plant systems. This project is expected to extend the operating life of the facility to 2034.

Total construction costs, excluding fuel and purchased power costs, are budgeted at approximately \$1 billion.

The Station shut down on March 28, 2008 for completion of the retubing and refurbishment work. Expenditures to March 31, 2009 were \$806 million (\$59 million capitalized, \$747 million construction-in-progress).

At March 31, 2009 the project was five months behind schedule, project completion and Station restart is expected by the spring of 2010.

Financial Implications of Delay

Refurbishment of the Point Lepreau Generating Station is largely a turnkey project and, as such, construction cost overruns are the responsibility of the contractor – AECL. There are, however, some financial implications for NB Power, as project owner.

The cash flow implications are as follows

- Nuclearco will spend approximately \$4 million per month in increased project owner costs for facilities, contracted staff, insurance and other costs to support the project
- Disco will spend approximately \$16 million per month in increased replacement power costs while the plant is out of service
- Accordingly, each month's delay in the project increases the cash cost of the project by approximately \$20 million.

These will be accounted for as follows

- The capital cost of the project will increase by approximately \$10 million per month of project delay this consists of
 - \$4 million in increased project owner costs for facilities, contracted staff, insurance and other costs to support the project
 - \$6 million of costs reallocated from operations to the project
- The deferral of Nuclearco period and replacement power costs will increase by approximately \$24 million per month (including incremental cash flows identified above) this consists of
 - \$16 million in increased replacement power costs while the plant is out of service
 - \$8 million in additional Nuclearco period costs

These costs will be amortized and charged to customers over the extended life of the station. (Some portion of these costs may potentially be offset by liquidated damages under the contract with AECL.)

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2009
(in millions)

28. COMMITMENTS, CONTINGENCIES AND GUARANTEES (CONTINUED)

Point Lepreau Generating Station turbine upgrade project

The Group is proceeding with the replacement of three low pressure turbine rotors. The budget for the project is \$65 million. This project will be completed within the Point Lepreau Generating Station outage period. Expenditures to March 31, 2009 were \$43 million.

Transmission power line

To ensure financial viability of the International Power Line project, the Corporation signed Commitment Agreements with load serving entities in the Maritimes for the equivalent of long-term firm transmission reservations through fiscal 2032.

Transmission reservations

For the purposes of delivering electricity to out-of-province markets, the Group has committed to long-term transmission reservations with the System Operator.

Ancillary Services contracts

The NB Power Group has entered into three ancillary services contracts with the System Operator. The Group's obligation is to supply ancillary services for the life of the heritage assets (generation assets that were already held prior to restructuring). The services provided are

- reactive power and voltage support
- automatic generation control
- load following
- operating reserve, and
- black start capability.

Legal Proceedings

In addition, the NB Power Group may, from time to time, be involved in legal proceedings, claims and litigations that arise in the ordinary course of business which the Group believes would not reasonably be expected to have a material adverse effect on the financial condition of the NB Power Group.



Énergie NB Power

Groupe Group

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS

For the year ended March 31, 2009
(in millions)

29. SEGMENTED INFORMATION

This provides information for the specific segments that make up the NB Power Group. It contains information on the following

- the Group's five business segments
- significant inter-company agreements
- financial overview for the current and previous years.

The Group's five business segments

The Group is organized and operates under the following five reportable business segments.

Business segment	Responsibility
Genco	operating and maintaining the oil, hydro, coal, and diesel-powered generating stations.
Nuclearco	operating and maintaining the Point Lepreau Generating Station.
Transco	operating and maintaining the transmission system.
Disco	operating and maintaining the distribution system. Disco is designated as the standard service supplier for the Province of New Brunswick and is obligated to provide standard services to residential, commercial, wholesale and industrial customers located throughout the province.
Holdco (unconsolidated)	providing <ul style="list-style-type: none"> • strategic direction, governance and support to the other business segments for communications, finance, human resources, legal, governance, and risk management, and • shared services on a cost-recovery basis.

Significant inter-company agreements

The Group has entered into a number of significant inter-company power purchase agreements. They are as follows

- power purchase agreement – Disco and Nuclearco
- power purchase agreement – Disco and Colesonco, and
- power purchase agreement – Disco and Genco.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
 For the year ended March 31, 2009
 (in millions)

29. SEGMENTED INFORMATION (CONTINUED)

Power purchase agreement – Disco and Nuclearco

Disco and Nuclearco entered into a power purchase agreement as follows

Aspect	Detail
Terms of the agreement	Disco purchases 95 per cent of <ul style="list-style-type: none"> • the Point Lepreau Generating Station's 635 MW capacity, and • the electricity produced.
Expiration	The agreement expires 25 years after the Station returns to service following refurbishment. Disco has annual renewal options thereafter.

Power purchase agreement – Disco and Colesonco

Disco and Colesonco entered into a 25-year tolling agreement as follows

Aspect	Detail
Terms of the agreement	Disco purchases tolling capacity and related services to convert fuel to electricity. The agreement requires the sale of all energy generated at Coleson Cove Generating Station to Disco.
Expiration	The agreement expires in March 2030.

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the year ended March 31, 2009
(in millions)

29. SEGMENTED INFORMATION (CONTINUED)

Power purchase agreement – Disco and Genco

Disco and Genco entered into a long-term power purchase agreement as follows

Aspect	Detail
Terms of the agreement	<p>Genco supplies capacity and energy to Disco.</p> <p>The commitment at March 31, 2009 was 2,425 MW of base capacity and 1,258 MW of peaking capacity.</p> <p>Under the agreement,</p> <ul style="list-style-type: none"> • Disco sells and Genco purchases all capacity and energy Disco receives under the Disco/Colesonco power purchase agreement. • Genco is responsible to procure and deliver fuel on behalf of Disco to Coleson Cove Generating Station.
Expiration	<p>The agreement expires when</p> <ul style="list-style-type: none"> • all of Genco's heritage assets, including third-party power purchase agreements, are retired or expire, or • Disco reduces its nominated capacity under the terms of the agreement to zero.



Énergie NB Power

Groupe Group

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the year ended March 31, 2009
(in millions)

29. SEGMENTED INFORMATION (CONTINUED)

Financial Overview – 2009

	Genco	Nuclearco	Transco	Disco	Holdco (Unconsolidated)	Eliminations	Total
Sales of power							
In-province	\$ 3	\$ -	\$ -	\$ 1,216	\$ -	\$ -	\$ 1,219
Out-of-province	208	9	-	-	-	-	217
Inter-company	1,177	175	-	7	-	(1,359)	-
Transmission	6	1	82	-	-	-	89
Miscellaneous	22	2	11	38	-	-	73
Other inter-company	1	-	18	3	79	(101)	-
Loss on mark to market of derivative asset	(145)	-	-	-	-	-	(145)
Total revenues	1,272	187	111	1,264	79	(1,460)	1,453
Fuel and purchased power	865	-	-	1,358	-	(1,354)	869
Transmission	29	2	-	60	-	(9)	82
Operations, maintenance and administration	128	147	48	115	66	(89)	415
Amortization and decommissioning	94	32	19	36	5	-	186
Taxes	16	7	8	11	1	-	43
Finance charges	93	(1)	12	37	7	(8)	140
Regulatory deferral	-	-	-	(386)	-	-	(386)
Special payments in lieu of income taxes	15	-	8	11	-	-	34
Total expenses	1,240	187	95	1,242	79	(1,460)	1,383
Net earnings (loss)	\$ 32	\$ -	\$ 16	\$ 22	\$ -	\$ -	\$ 70
Total assets	\$ 2,415	\$ 1,694	\$ 405	\$ 1,377	\$ 467	\$ (1,168)	\$ 5,190
Capital expenditures (net of customer contributions)	\$ 32	\$ 332	\$ 24	\$ 49	\$ 1	\$ -	\$ 438

NEW BRUNSWICK POWER HOLDING CORPORATION
NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the year ended March 31, 2009
(in millions)

29. SEGMENTED INFORMATION (CONTINUED)*Financial Overview – 2008*

	Holdco						
	Genco	Nuclearco	Transco	Disco	(Unconsolidated)	Eliminations	Total
Sales of power							
In-province	\$ (5)	\$ (2)	\$ -	\$ 1,244	\$ -	\$ -	\$ 1,237
Out-of-province	184	12	-	-	-	-	196
Inter-company	752	215	-	4	-	(971)	-
Transmission	6	1	80	-	-	-	87
Miscellaneous	26	2	8	36	27	-	99
Other inter-company	1	-	17	2	72	(92)	-
Gain on mark to market of derivative asset	93	-	-	-	-	-	93
Total revenues	1,057	228	105	1,286	99	(1,063)	1,712
Fuel and purchased power	582	21	-	950	-	(968)	585
Transmission	30	2	-	62	-	(9)	85
Operations, maintenance and administration	123	147	41	104	61	(79)	397
Amortization and decommissioning	97	59	20	37	3	-	216
Taxes	16	7	8	11	1	-	43
Finance charges	121	6	10	38	7	(7)	175
Regulatory deferral	-	-	-	73	-	-	73
Special payments in lieu of income taxes	30	(4)	9	4	10	-	49
Total expenses	999	238	88	1,279	82	(1,063)	1,623
Net earnings (loss)	\$ 58	\$ (10)	\$ 17	\$ 7	\$ 17	\$ -	\$ 89
Total assets	\$ 2,251	\$ 1,317	\$ 402	\$ 880	\$ 401	\$ (577)	\$ 4,674
Capital expenditures (net of customer contributions)	\$ 92	\$ 242	\$ 27	\$ 45	\$ 3	\$ -	\$ 409

30. COMPARATIVE FIGURES

Certain 2008 figures have been reclassified to conform to the 2009 financial statement presentation.

2008/09
STATISTICAL OVERVIEW TABLES

Statement of Generation

<i>(millions of kWh)</i>	2008/09	2007/08	2006/07	2005/06	2004/05
Hydro	3,172	2,781	3,124	3,802	2,829
Thermal	8,089	7,262	8,125	10,001	11,096
Nuclear	-	4,393	4,696	4,695	4,572
Combustion turbine	3	1	1	9	17
Purchases	5,295	3,890	3,092	1,898	1,848
Gross generation and purchases	16,559	18,327	19,038	20,405	20,362
Station service	535	794	858	961	1,006
Net generation and purchases	16,024	17,533	18,180	19,444	19,356
Losses - transformer and transmission	757	626	673	504	602 ¹
Total energy available for distribution	15,267	16,907	17,507	18,940	18,754

Statement of Sales

<i>(millions of kWh)</i>	2008/09	2007/08	2006/07	2005/06	2004/05
Wholesale	1,207	1,207	1,176	1,174	1,222
Industrial	4,362	5,589	5,976	5,577	6,039
General service	2,372	2,369	2,291	2,264	2,280
Residential	5,036	5,010	4,824	4,797	4,990
Street lights	75	75	75	75	75
Total in-province sales	13,052	14,250	14,342	13,887	14,606
Interconnections	1,891	2,327	2,815	4,682	3,813
Total sales	14,943	16,577	17,157	18,569	18,419
Distribution losses	324	330	350	371	335
Total energy distributed and sold	15,267	16,907	17,507	18,940	18,754

Statement of Revenue

<i>(in millions)</i>	2008/09	2007/08	2006/07	2005/06	2004/05
Wholesale	\$ 98	\$ 94	\$ 87	\$ 82	\$ 81
Industrial	307	362	350	310	319
General service	250	248	225	213	203
Residential	539	519	470	436	427
Street lights and energy imbalance	25	14	14	15	19
Total in-province sales of power	1,219	1,237	1,146	1,056	1,049
Interconnections	217	196	215	379	251
Sales of power	1,436	1,433	1,361	1,435	1,300
Gain (loss) on mark-to-market of long-term receivable	(145)	93	-	-	-
Miscellaneous ²	73	99	67	73	57
Transmission revenue ²	89	87	84	77	46
Total revenue	\$ 1,453	\$ 1,712	\$ 1,512	\$ 1,585	\$ 1,403

¹ Includes adjustment of 95 GWh primarily related to previous years² Certain comparative figures have been reclassified to conform to the current year's presentation

Statement of In-province Generation³

(millions of kWh)	2008/09	2007/08	2006/07	2005/06	2004/05
Hydro	3,149	2,698	2,891	3,313	2,713
Coal and petroleum coke	3,515	3,189	2,756	2,387	3,392
Heavy fuel oil	3,201	2,466	2,632	1,527	2,029
Orimulsion	-	-	383	1,388	1,643
Nuclear	-	3,871	4,142	4,146	4,031
Combustion turbine	-	-	-	-	3
Purchases	4,204	2,938	2,529	1,817	1,638
Net generation and purchases	14,069	15,162	15,333	14,578	15,449
Losses - transformer and transmission	757	626	673	504	602
Total energy available for distribution	13,312	14,536	14,660	14,074	14,847

Peak Demand and Capacity

(MW)	2008/09	2007/08	2006/07	2005/06	2004/05
System net generating capacity	3,194	3,932	3,932	3,932	3,948
Firm capacity purchases	402	402	402	402	402
Total available resources	3,596	4,334	4,334	4,334	4,350
In-province system net peak demand	3,167	2,992	3,160	2,799	3,146
Firm exports	419	447	356	355	399
Operating reserve	178	508	512	561	662
Total requirement	3,764	3,947	4,028	3,715	4,207

Operating Statistics

	2008/09	2007/08	2006/07	2005/06	2004/05
Transmission lines - km	6,829	6,780	6,703	6,703	6,708
Distribution lines - km	20,397	20,284	20,030	20,045	19,982
Residential customers	309,623	306,383	303,177	300,134	296,879
Industrial customers	1,904	1,915	1,920	1,843	1,822
General service customers	24,984	24,798	24,665	24,426	24,179
Non-metered customers	2,486	2,417	2,345	2,368	2,378
Direct customers	338,997	335,513	332,107	328,771	325,258
Indirect customers	41,685	41,451	41,100	41,889	41,672
Total customers	380,682	376,964	373,207	370,660	366,930
Positions - regular	2,477	2,474	2,428	2,380	2,651
Positions - temporary	198	159	91	85	83
Positions - NB Coal Limited	54	66	69	69	70
Total positions⁴	2,729	2,699	2,588	2,534	2,804

³ For the period post restructuring (October 1, 2004), the table only reflects energy supplied by the NB Power Group and does not reflect energy purchases made by the System Operator for in-province supply

⁴ Refers to positions based on the Plan of Establishment. Annual reports prior to 2006/07 have reported number of employees

Income Statement Summary
(in millions)

	2008/09	2007/08	2006/07	2005/06	2004/05
In-province sales of power	\$ 1,219	\$ 1,237	\$ 1,146	\$ 1,056	\$ 1,049
Out-of-province sales of power	217	196	215	379	251
Miscellaneous revenue ⁵	73	99	67	73	57
Gain (loss) on mark-to-market of long-term receivable	(145)	93	-	-	-
Transmission revenue ⁵	89	87	84	77	46
Total fuel and purchased power	869	585	560	512	497
Transmission expenses	82	85	85	86	46
Operations, maintenance and administration	415	397	389	373	384
Regulatory deferral	(386)	73	-	-	-
Amortization and decommissioning	186	216	220	217	219
Taxes, other than special payments in lieu of income taxes	43	43	49	47	41
Finance charges	140	175	180	199	202
Special payments in lieu of income taxes	34	49	8	55	5
Net earnings (loss)	\$ 70	\$ 89	\$ 21	\$ 96	\$ 9

Balance Sheet Summary March 31
(in millions)

	2008/09	2007/08	2006/07	2005/06	2004/05
Assets					
Current assets	\$ 736	\$ 622	\$ 411	\$ 384	\$ 330
Property, plant and equipment	3,585	3,310	3,405	3,280	3,273
Long-term assets	758	646	247	235	195
Other assets	111	96	88	70	76
Total assets	\$ 5,190	\$ 4,674	\$ 4,151	\$ 3,969	\$ 3,874
Liabilities and Shareholders' Equity					
Current liabilities	\$ 1,377	\$ 928	\$ 659	\$ 762	\$ 956
Long-term debt	3,051	2,879	2,869	2,655	2,459
Deferred liabilities	457	516	392	332	323
Shareholders' equity	305	351	231	220	136
Total liabilities and shareholders' equity	\$ 5,190	\$ 4,674	\$ 4,151	\$ 3,969	\$ 3,874

Cash Flow Summary
(in millions)

	2008/09	2007/08	2006/07	2005/06	2004/05
Cash flow from operations	\$ 273	\$ 316	\$ 238	\$ 319	\$ 245
Change in working capital	(60)	(80)	13	(11)	(51)
Nuclear trust fund payments	(35)	(141)	(13)	(40)	(13)
Derivative assets	135	(93)	-	-	-
Regulatory deferrals	(390)	73	-	-	-
Other	(2)	(1)	(13)	(5)	(1)
Operating activities	(79)	74	225	263	180
Financing activities	466	219	71	(37)	158
Investing activities	(381)	(323)	(287)	(209)	(341)
Net cash inflow (outflow)	6	(30)	9	17	(3)
Cash & short-term investments					
Beginning of year	0	30	21	4	7
End of year	\$ 6	\$ -	\$ 30	\$ 21	\$ 4

⁵ Certain comparative figures have been reclassified to conform to the current year's presentation

Finance Charges (in millions)	2008/09	2007/08	2006/07	2005/06	2004/05
Interest expense	\$ 189	\$ 192	\$ 198	\$ 197	\$ 223
Income from sinking funds, trust funds, and other	(21)	(16)	(14)	(10)	(21)
Debt portfolio management fee	22	21	20	20	21
Amortization of deferred debt costs	2	1	-	-	3
Foreign exchange (gain) or loss	(11)	5	(2)	2	(2)
Interest capitalized	(41)	(28)	(22)	(10)	(22)
Net finance charges	\$ 140	\$ 175	\$ 180	\$ 199	\$ 202

Financial Ratios	2008/09	2007/08	2006/07	2005/06	2004/05
Operating margin ⁶	15.3%	17.1%	12.5%	20.8%	13.9%
Cash flow from operations / capital expenditures ⁷	0.62	0.77	0.79	1.53	0.72
Cash flow from operations / total debt	0.07	0.09	0.07	0.10	0.08
Debt / capital ⁸	93%	91%	93%	93%	96%
Interest coverage ratio ⁹	1.28	1.60	1.03	1.74	0.97

Other Statistics	2008/09	2007/08	2006/07	2005/06	2004/05
Rate increase	3.0%	5.9%	6.9%	6.1% ¹⁰	2.5% ¹¹
CPI (New Brunswick)	1.6%	1.9%	1.7%	2.4%	1.5%
GDP increases (New Brunswick) ¹²	1.8%	2.4%	3.0%	0.5%	1.4%
Capital expenditures (millions) ¹³	\$ 440	\$ 409	\$ 287	\$ 209	\$ 341
Change in total debt (millions)	\$ 479	\$ 230	\$ 74	\$ (26)	\$ (204)
Per cent breakdown of long-term debt					
Canadian dollar	100%	100%	100%	100%	100%
US dollar ¹⁴	0%	0%	0%	0%	0%
Weighted average coupon interest rate	5.5%	5.8%	6.0%	6.3%	6.7%
Canadian Dollar - March 31	\$ 0.794	\$ 0.973	\$ 0.866	\$ 0.857	\$ 0.827

⁶ Operating margin = (net income before finance charges - debt portfolio management fee) / total revenue

⁷ Capital expenditures are net of proceeds on disposal and customer contributions

⁸ Debt ratio = (debt) / (debt + equity), where debt = (long-term debt + short-term indebtedness)

⁹ Interest coverage ratio = [net income before finance charges + (income from sinking funds, trust funds, and other investments - debt portfolio management fee)] / (interest expense)

¹⁰ Reflects an overall 2.5 per cent rate increase in April 2004 (pre-restructuring) and an overall 3.0 per cent rate increase in March 2005 (post-restructuring)

¹¹ Rate increase at April 1, 2004 (does not include 3.0 per cent rate increase at March 31, 2005)

¹² In its 2008 budget documents, the Provincial Government restated its GDP growth rates for the past years

¹³ Capital expenditures are net of proceeds on disposal and customer contributions

¹⁴ All U. S. denominated debt was transferred to New Brunswick Electric Finance Corporation on October 1, 2004



Énergie NB Power

www.nbpower.com

corporatecommunications@nbpower.com

Customer service: 1 800 663 6272

Mailing address

515 King Street

P.O. Box 2000

Fredericton, NB E3B 4X1